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# OUT OF MY MIND

Francis G. Winspear



Winspear

OUT OF MY MIND

Francis G.

Roger Smith

Please return  
to R. Smith

*Out of My Mind*

Francis Harper



*Mylanwy Pavelic's portrait of the author*

FRANCIS G. WINSPEAR

O.C., F.C.A., F.C.S.M.A., LL.D., F.R.S.A.

# *Out of My Mind*

*Foreword by*

WALTER H. JOHNS

B.A., PH.D., LL.D., D.ÉS.L.

*Retired President of the University of Alberta*



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*to all of my partners  
including my wife*





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## FOREWORD

In the Founder's Day Address at Stanford University in 1906 the American philosopher William James said "The world is only beginning to see that the wealth of a nation consists more than in anything else in the number of superior men that it harbors." Although this statement was made many years ago, its truth is becoming more clearly evident today than it has ever been in history. We have recognized superior talent in recent years, but today we tend to seek it out with increasing insistence. This is one of the most important concepts in John W. Gardner's work, *Excellence*, and it is of special concern to Canadians today.

We in Canada have tended to admire most those men who have opened up our frontiers, built our canals and railroads, and exploited our natural resources. Today, in a more complex society we need more men who can develop our human resources through leadership and example and put them to work in the broad fields of business and commerce for the common good of our citizens. Our universities are taking on the task of education for potential leaders in the business world, but we can still learn a great deal from the men who have achieved positions of leadership. The biographies of such men, written by others, are helpful to this end, but we are more fortunate still if we can learn from the men themselves who achieved success in the business world. Unfortunately for us, the great majority of them are unwilling to set out for their contemporaries first-hand accounts of their lives and their careers.

Dr. Francis G. Winspear has achieved success in business, and has been recognized by his colleagues for this and for the wide variety of ways in which he has been of service to his fellow Canadians. He has now put us in his debt by his willingness to set down in his own words, not only his experiences in business, in University

teaching, and in public service generally, but his views on those qualities of mind and heart and behaviour which are essential to leadership in our modern world. They include integrity, keen observation, broad vision, a willingness to work hard, and what C. L. Burton has called "A Sense of Urgency"

Though he is too modest about his own achievements, Dr. Winterspear, in his book, has told his story honestly and clearly and, perhaps even more important, he has given us his philosophy of business and of living as well. He has told us not only what he has been able to do with his life and how he has done it over nearly forty years of activity in business, but he has told us why he has done many of these things as well. The result is a fascinating autobiography which will be a guide and inspiration to his friends and colleagues and to any young man embarking on a business or professional career today.

WALTER H. JONES

*Edmonton,  
September 1969.*

# INTRODUCTION

Some time ago one of my partners, Ray Harris, left some books on my desk, the histories of several chartered accountancy firms — Clarkson Gordon, Deloitte Plender, Peat Marwick. The implication was obvious. Our modest, but wholly Canadian firm, born and nurtured in the west, should also be the subject of a history. I was the one to write it.

My partner was wrong. I am not the one to write it. History requires the perspective of time and space, the unemotional detachment of one not involved. History is for the historian. Nevertheless, I did feel an inclination to record the personal experiences of a happy and interesting life, not being an economist, to refute, if I can, the Carlyle concept that economics is the "dismal science".

It is, therefore, to be hoped that none of my partners or associates past or present, will feel slighted at my failure to recount their aptitudes and activities fully. The names of the late Winslow Hamilton, Bill Anderson, Alex Hamilton, Harold Love, occur with varying frequency. My other associates, if inadequately treated, are not unappreciated or forgotten.

There should, however, be a reason for writing a book. Some books are written to entertain, and entertainment is a worthwhile function in society. Some people, indeed, feel that Canadians are not sufficiently expert in enlightened relaxation — that we only do it well every hundred years. Some are written to inform. Others are written because the writer has a pleasing flow of language, they are like a skilful speech or a delightful poem. Others, still, are written because the author has ideas which he wants to express to his fellow countrymen. In other words, he has a message. If there is justification for this book it must lie in the last of these purposes. It will not entertain in the sense that Leacock entertained. It contains no

arresting information for the informed economist or businessman. It is not a profound document. It can make no claims to literary excellence. My message, then, is this: surrounded by a group of very able men, I and my associates operating in the far west have attained a moderate measure of success in developing institutions throughout Canada, and even outside Canada. In so doing, we have retained our self respect, and have enjoyed every minute of our activities. To us, finance is fun. I am reminded of the gag once made by Jimmy Durante. Said he, "I came to this country without a shirt on my back, now I have a shirt." We started in business with hardly a shirt in our backs. Now we have several shirts. There is a tendency for young men to say, "That's all right — that happened thirty-five years ago. It can't be done today." Of course it can be done today, and will always be done as long as men live and move and have their being. We started in the bleak days of the thirties, and operated successfully in what was probably the worst depression that the modern world has ever known.

In my opinion, too, accounting and business is a pursuit which demands devotion and skill. It is worthy of the lifetime continued interest of an intelligent man. I am not suggesting that I am an intellectual, but I have the greatest respect for a good mind, and I think that most of my associates have very exceptional minds. Other things being equal, the fruits of business success will fall to the intelligent person. Sometimes dynamic but rather crude and un-informed businessmen make a success of their enterprises, but in modern business, this is the exception rather than the rule.

Some years ago I had a very interesting discussion with a distinguished philosopher, Professor John Macdonald of the University of Alberta. We were endeavouring to analyze particular intellectual and manual skills found in modern society. The scientist, for instance, is concerned in the search for truth, but he tends to be somewhat objective in his purpose. He develops certain hypotheses. It is true that universities tend, quite properly, to let many of their scientists range over the entire area of natural phenomena, but usually the skilful scientist develops a concept or an hypothesis which he desires to investigate and to prove or disprove. The philosopher, on the other hand, tends to be more speculative as his mind

rooms the entire realm of human affairs, truth, justice, ethics, politics, natural history — everything is contained in philosophical thinking. There have been exceptions, but as a general rule the ancient philosopher did not use the tools of the laboratory as did the scientist, but rather developed a thesis based on profound thought, clear expression, and sometimes intuitive imagination. In contemporary times the empirical or inductive process of thinking is at once both scientific and philosophical, specific and general. In short, there have been and are many scientists who are also philosophers, and philosophers who are scientists, and there is an increasing tendency to reconcile the two.

Then, there is the *literatus* or poet who worships beauty of expression. The advocate, who may be a politician, is concerned in making his arguments as compelling as possible, usually by a process of simplification, sometimes over-simplification. In fact, various intellectual disciplines tend to cultivate distinctive habits of thought. "Where then," I asked John, "do you place the businessman? Is his a field all of its own, or is it related to others?" His reply was prompt and interesting. "Essentially he is a scientist. He uses his mind as a biologist uses a microscope, to enlarge the field, to remove the superfluous and irrelevant, and finally to examine carefully that central core which seems to be important." With this, I concur, but I also think that there is more than that to the successful businessman. He must be a leader, he must have a capacity to inspire. He should be an avowed enemy of low morale. He must understand organization and the flow of responsibility, he must be in a position accurately to define those matters on which a subordinate may come to his own conclusion, those which should be referred to a higher authority, and those somewhere between these two extremes which, if decided by the subordinate, should be promptly reported to the superior. He should, too, be something of a teacher. It is important that he is ever training executives, challenging them to think accurately, verifying that every alternate proposal has been abandoned only after careful consideration and for adequate reasons, endeavouring always to develop the best qualities and discourage the failings of those who work under him.

During the course of an interesting and active life, I have en-

joyed the company of able politicians, doctors, scientists, and of course, many business executives. I believe that some of the most profound minds in our country are active in the business community. Usually they have been formally educated, sometimes self-educated, but they are all disciplined thinkers, for modern business is complex and challenging, and demands good thinking and skilful planning. An image of the modern business executive as a scintillating gambler, a superficial extrovert, is generally distorted and untrue.

Capitalism is a modern phenomenon which has gone through varying stages of evolution in the past hundred years. Its characteristics at this stage of development are often misunderstood, particularly by those not active in the business world. There is a tendency to create shadow-men who do not really exist, if not phantoms, distortions of useful functions and personalities that are viewed through Alice's Looking Glass and made to appear ugly and unreal: e.g. the establishment, the hundred men who dominate economic Canada, American capital, labour leadership — they are legion. I shall discuss some, but not all. Phantoms and distortions are a price we pay for something which is worth while, our parliamentary system and Canadian democracy, but just now and then the other side should be presented. I do not suggest that all our Canadian institutions are perfect. Some of them annoy me very much, and need to be improved. But let us exorcise the evil spirits, while we encourage the tendencies which will make our country even greater. Surely the history of our group's activities should refute or discount the existence of such bogies. Above all, opportunities for the entrepreneur not only still exist, but are becoming more evident. Most large enterprises were once small, and small business can still compete successfully against large. A small business is like the agile back on a football team. He can move quickly, change direction, take advantage of opportunities, very often indeed make a "monkey" out of his bigger and more ponderous opponent. What I say about business is true about nations. Canadians need not harbour a sense of inadequacy from living close to a gargantuan economic neighbour, for we have many things in our favour. We



must, however, be sure that we are well trained, energetic, and dedicated

Finally, in our economic system I believe that the government function must be properly reconciled with business, labour, agriculture, and the consumer. There are those, among them politicians who lust for power, who speak of predatory, selfish businessmen, sometimes one hears reference to the "power lust of the establishment". It is true that it is pleasant to make money. It is a measure of success. It is delightful to provide amenities for your wife and family, to entertain your friends, to be in a position to help your favourite charities and cultural organizations. Then, too, the profit motive is important. In my view the business community will never operate successfully without it. There is, however, a distinction between the short-term profit motive and the long-term, between the man with only short-term gains in mind, and the man who invests his capital in an enterprise, intending to live in the community and conceivably pass on a well-established concern to his sons or those whom he has attracted to him. Any succession or inheritance tax which discounts this justifiable and probably rather sentimental impulse, is not in the interests of Canada. To suggest, however, that a businessman will do anything to make money is to make an unfair and incomplete generalization. Most of us will not. A long, successful business life in a community or the nation involves a reputation for fair dealing. Money is helpful, but there are things which are more important, and self respect is one of them.

This, then, is my argument which I will endeavour to defend, documented by my own experience, in the following pages:

1. Business is fun — a fascinating continuing challenge. If you can't enjoy it, get out of it.
2. The successful executive needs a cultivated mind; the untrained executive is rare and becoming rarer.
3. There is and always will be a place for the entrepreneur. A small business, well conceived and intelligently managed, can compete successfully. On the other hand, Canada must not deprive itself of the advantages of mass capital for certain types of enterprises.

4. It is unfair to create an image of Canadian business based on the activities of the nineteenth-century captain of industry. Business has grown past its early concepts and methods and is continuing to evolve.
5. The interests of the consumer demand a continuing liaison between government, business, and labour leadership. All three have an important function to perform, and it is essential that lines of communication be maintained.
6. Canadians must not be scared by the "establishment", "one hundred tycoons", "excessive welfare", "pensions and medicare", "labour unions", "American capital", and so on. We are a sensible people. Let's view these things sensibly.

Possibly something of my philosophy of life and business, such as it is, will appear in succeeding pages. I was brought up to believe in a personal God, in eternal life, and in certain goodies which will be vouchsafed to God's children who are "good", in the doctrine of transubstantiation, in the virgin birth, the immaculate conception, holy communion three times a week, and as a matter of essential duty three times a year. Then the Church, all churches, shifted their grounds. How silly of me to think of God as my kindly grandfather with a beard! God, they said, is power, undifferentiated, inexorable, God is law and order. Genesis? Purely allegorical, seven days and nights might well be a billion years. The sacraments? Feel refreshed. They are a privilege, not a duty. Have them in the afternoon, at night, don't bother to fast. Come as you are. Enjoy the music, the fellowship. Thus speak the modernists, the rationalists.

What then is God? Predestined intent with some slack in the wagon wheel, as Sir James Jean suggests? The creative urge? The impulse to survive? Cosmic radiation? The territorial imperative? Evolution? Is the divine plan really mathematical probabilities related to vast areas of space, cosmic gases, matter and energy? Certainly the probabilities of inherited traits may be forecast with some accuracy by the increasing understanding of genes and chromosomes.

Of these things I do not know. I suspect that as human knowledge and understanding increases the answers to an overall law or plan and eternity will not be as simple as the alternatives we now

bat backwards and forwards on this three dimensional plane. At one stage in the world's history there were those who thought the earth was flat, but finite. if one travelled far enough one would fall off the edge into a bottomless void. The alternative to this was that the earth was flat, but infinite — no matter how far one travelled one would never come to the end of the earth. There seemed at that time to be only two alternatives — one could take his pick of these two concepts. As man's knowledge increased it was found that the earth is infinite in the sense that it is a sphere — one could keep on travelling on its surface for ever. On the other hand, it is finite because its dimensions can be surveyed. I wonder if the answer to the workings of the universe will not ultimately be found as life evolves, knowledge and understanding increases, in alternatives which are not presently conceived, that the whole question is not a simple one of "there is or there isn't a God, a divine plan, or an everlasting life."

To me, then, the atheist is as presumptuous as the religionist. "The fool has said in his heart — there is no God." Another fool has said there is. I am neither of these fools. I simply don't know. How can we on this infinitesimal speck of matter, a minute portion of solidified gas, floating with our sun in a universe so vast that it is beyond comprehension, subject to a limited three dimensional vision (like, as Plato suggested, trying to get some idea of the outside world by viewing the shadows on the wall of a cave) contained in a span of life so short that it is unreasonable to expect any realistic understanding of space, and time, and purpose — how can we ordinary men expect to come to realistic conclusions? Some great thinkers, scientists, philosophers, have expressed their belief that there is a God, a purpose. Others do not hold this belief. I repeat, I don't know. I just don't believe in an ethic in which I will be rewarded in the hereafter if I obey certain rules, and punished eternally if I don't. The whole proposition is put on the wrong basis for one of my temperament and inclinations. It's as inappropriate as a bikini in a briar patch.

But there are certain eternal verities in the world of business. Let's play the game according to the rules. A cheat is an unhealthy, unhappy character, and cheats don't usually live long in business.

cheating is a short-term procedure. I like to be healthy and happy. Business is fun. Business is useful. Business is probably pragmatic. But good businessmen do have a moral bond, a code. I hope it will be, if not expressed, at least implied in this book. Who was it wrote that play "Loyalties"? John Galsworthy? I read it many years ago. The loyalty of a man to his mate, of an accountant to his client, of a director to his company, of a businessman to his associates, of an adherent to his party philosophy, of a citizen to his country, of civilized man to human need — in this I believe. Here is a navigational device guiding one through the narrow.

The democratic process owes much to England, and notably to John Locke, a physician who lived in the seventeenth century and who conceived many of the ideas later adopted by Jefferson. "All men are born free and equal" — yet Jefferson died leaving two octoroon daughters who were sold into slavery. To accountants and businessmen, John Locke is a continuing inspiration. He worked, he was useful, he healed and he thought. He lived what he believed. History may not have elevated him to Jefferson's eminence — but I like Locke.

In this narrative I have not maintained a strictly chronological record of events. The opening chapters describe the progress of our accountancy firm. Simultaneously, of course, I held a professional post at the University, acted as chief executive officer of several companies, became interested in investment, and for a time acted as the agent of the Custodian of Enemy Property. These activities seemed to be worthy of special chapters. I trust the reader will not be unduly confused.

Dr. Douglas Ross of Sidney, B.C., my companion on a South Sea freighter voyage, through the classical islands of Greece, on the golf course, and the terrace at Ardmore, is not only a country physician and surgeon, but also a musician, an amateur astronomer, and a well-read philosopher. If he should read this book, and there seems to be little that he does not read, he will probably recognize the context of some of our conversations.

George Hardy, the retired professor of Classics at the University of Alberta, and one of Canada's most notable authors, has been kind enough to read this manuscript and make many helpful sug-

gestions. I know that only a friendship extending over thirty years would have captured his interest in an amateurish effort. He is exonerated from any subscription to the ideas expressed.

Several of my other friends, male and female, have also read the manuscript and made valuable suggestions. My appreciation, composite and anonymous, is extended to them all.

## INTRODUCTION TO THE SECOND EDITION

*Out of My Mind* was first written some twenty years ago in 1968. A few weeks ago my two sisters jointly argued that my memoirs should be brought up to date. When I first started to practice accountancy I told my late wife, Bess, that I hoped to retire at the age of fifty. However, when I attained that age, I was very busy, not only with my chartered accountancy firm but in the world of business. I retired from my last directorate with a steel group when I was seventy-eight, although the remaining directors very kindly made me an honorary director — a complimentary but not a legal office.

Since then I have remained reasonably busy with my Foundation, my investment portfolio, a dip into politics, my grandchildren and great-grandchildren, of which I have four (all males). I also like to take exercise by swimming every day and a game of golf or a walk. Who knows, there may be a third edition of *Out of My Mind*, although I will be eighty-five next month.

Dr Walter Johns, who wrote the foreword to the first edition, has died after a very useful life. It is so flattering, that my innate egotism leaves it as the foreword to this edition.

Indeed, many of the men I have mentioned, usually with approval, have passed on. They still live in my thoughts and the comments in this book have not been altered.

*Francis G. Winspear*



# 1

## FROM A STANDING START

I WALKED UP A FLIGHT OF STEEP NARROW STAIRS IN THE MAGEE Building and through the offices of The Institute of Applied Art Ltd., to a small suite consisting of a very tiny outer office and a somewhat larger inner room. The rooms were sparsely furnished: in the outer office a stenographer's table with a straight-back chair; in the inner, a desk, a swivel chair, two other chairs, no rugs, no curtains, a pile of stationery ordered some days previously from The Institute Press stood unopened in the corner — letterhead, report paper, orange buff covers with an inner flap of soft gray, even a stapling machine and a bolt of matching gray ribbon. (Geo. A. Touche & Co. had always bound their reports with ribbon.) The outside of the report-covers unpressively displayed in clear block printing the name of my firm:

F G WINSPEAR

Chartered Accountant

Edmonton, Alberta

My name had been painted on the outside door

It was February 9, 1930, and I was twenty-six years of age. I sat down at my desk — not really my desk — it was rented, along with the offices, from Clarence Richards. Clarence was the guiding genius of The Institute of Applied Art, publishers of teachers' guides, students' manuals, and correspondence courses. He was teaching school and would not be in his office till after four. Then, he would burst into my room with a boisterous laugh, grab my

hand firmly, and make a congratulatory quip, which would lift my spirits and renew my courage.

But now alone, slightly awed, and more than a bit scared, I sat at my desk and assessed my position. My assets — the furnished contents of a drab three-room suite halfway down the hill on 105th Street, and an equity in a secondhand Essex car. My liabilities — doctors', hospital, and grocery bills totalling \$936.14. Not much money now, but a mountain in 1930's currency and conditions, a crushing load of debt. My reserves? Nonexistent. My family was not affluent and I could not expect financial support from them, even if I had not been too proud to ask. My brother-in-law, Hubert Watchorn, then a bachelor, had a fair job at Bankers' Trust Company in New York. I did in that first year borrow \$250 from him for two months, a loan for which I am eternally grateful.

My business connections? For two years I had been euphemistically described as the accountant in charge of the Edmonton office of Peat, Marwick, Mitchell & Co., an international firm of chartered accountants. Edmonton was a sub-office to Calgary, and I received very little support from the managing accountant, even trivial suggestions involved tedious negotiations. After long and wearying correspondence, for instance, it had been agreed that the firm would pay my annual dues to the Kuusamen Club, founded in Edmonton by Clarence Richards. Members included Syd Maddocks, the Royal Bank manager at 105th Street, Dr. Scott Hamilton, later Dean of Dentistry at the University, Professors Hal Thornton, Jack Bowstead, and Ed Boomer; they have remained friends throughout the years. Syd Maddocks was particularly kind and introduced me to Swan Swanson, a tie contractor and general storekeeper at Junkins (now Wildwood). As a result, I had been quite successful in building up the practice of Peat, Marwick in Edmonton, a practice which had previously remained static for many years. All this surprised me for I was then, and am still, a shy man. When I commenced my own practice Swanson decided to come with me — had in fact repeatedly resisted the blandishments of my former employer. Total probable fee about \$600 per year.

My plan, discussed with Clarence Richards, obtained his support. He would sublet me office space and give me \$10 per month



if I would keep the books of his publishing business. This plan I accepted with alacrity.

There was one other engagement. Early in January the President of the University, Dr. R. C. Wallace, had telephoned. Who could forget the kindly Scottish burr?

"I have not had the pleasure of meeting you, but I am R. C. Wallace, the President of the University. I would gladly come over to see you, but as I want you to meet the Dean of Arts and the Bursar, it would be particularly convenient if you could come over to see me. When would it be convenient?"

In awed tones, "I-could-come-right-away, Dr. Wallace."

"Very well; shall we say eleven?"

The meeting took place in Dr. Wallace's beautiful oak-panelled room in the Arts Building. Accountancy lectures, it appeared, had floundered in a sea of alcohol—the overtown lecturer had failed to meet his classes for several weeks. A deputation of students had complained. The Department offered four courses, one in elementary accounting, two in advanced accounting, and one in business administration. Two courses could be dispensed with for this season, which ended in April. Would I, for a fee of \$700, give the two courses requiring nine hours lectures and labs per week? Would I? I would! Dean Kerr and Bursar West were called in. Arrangements were discussed. I would meet the advanced class at 8.30 a.m. the following morning. It was emphasized that this was only a seasonal appointment which would terminate in April.

I accepted the conditions, but had other ideas. It should be possible to so capture the interest of the students and the confidence of the administration that a permanent appointment would be earned. It so happened, as I shall relate in a later chapter.

On February 9th this development was still in the future, and my firm engagements for the year 1930 could be added to a total of \$1,420, plus an office. From this would be deducted the cost of stationery, telephone, part-time typing services, and sundry expenses. Possibly my superiors in Peat, Marwick were right. I was "out of my mind", they said, to leave a safe secure job and enter the bleak world of private practice in the midst of a depression.

What about my human resources? First, Bess, my wife, who is



*Ernest Fosbery's portrait of Bess*

courageous, loyal, and wise. My proposal to embark on private practice had been discussed with her; she had said very quietly that she had complete confidence in my judgment, and was sure that we would make out somehow. We had, she pointed out, lived on \$155 a month when we were first married, and if necessary we could live on that again, or less. She refrained from remarking that we now had a delicate premature baby, and that she herself was not robust.

Claude, our first born, has done a valiant job of overcoming natal spasticism, and now speaks several languages and maintains his own bachelor establishment. He has, I think, found a satisfying life on the staff of the Y M C A. The triangular motto of the Y, the balanced development of body, mind, and spirit, is a refreshing concept, which Claude seems to appreciate, to serve willingly, and on the whole, happily. As I get older, in some respects I envy him. He is not driven, he lives.

I was a man with an almost compulsive urge. To make money? Partially, yes. One who has lived his boyhood years in a small prairie town, who has seen the destitution which accompanied rotating tragedies of frost, or drought, or hail — farmers driving their horses for miles to beg from my father, the general storekeeper, a few dollars' worth of groceries, must pine for gracious living, amenities, and security for himself and his loved ones. Power? Yes, in the sense that one has an innate urge to direct and inspire — to solve problems from data obtained by others. But mostly the urge to play a part in developing a great western country, defeating agricultural problems of climate and terrain, harnessing the power which even then seethed in gas wells in Redcliff and Medicine Hat and leaped down the rapids of mighty rivers, or to hear the shriek of the saw in forests of western spruce. Business in the West needed leadership, I thought. Finance was all in the East, commerce flowed from the East to the West. What a challenge, to reverse the flow and build from the West to the East! Surely all living things have the urge to live and acquire. "The territorial imperative," Ardrey calls it, and finance is part of the joy of life. It gives the sheer exhilaration of hitting a ball hard and true in golf or tennis, or the feeling of a rod when a coho strikes and the reel sings; or galloping

across the prairie with vitality beneath you, and the breeze singing in your ears.

I was a man with an urge, but I have been fortunate to have around me or available for consultation men with wise minds. In the early days there were my father and Dean Paget, then Winslow Hamilton, Clarence Richards, and Frank Newson, later Harry Parlee, and several of my professional friends at the University; Alex Hamilton and Allen Lambert of the Bank. But first, last and always I have enjoyed the cool-headed, sober wisdom of my wife. My second son, Bill, who follows me in a business career, has inherited a large measure of his mother's wisdom, and some modicum of my urge. He navigates a cruiser expertly, and a business enterprise even more skilfully.

In addition, I think I might say without boasting that I had been well trained as an accountant. The man under whom I served articles, J. B. Sutherland of Calgary, was a cultivated Scot with a deep love of his profession, an overwhelming capacity for detail, and a desire for perfection. Jack Lagertwood of Peat, Marwick, Mitchell in Calgary trained me to appreciate the importance of properly prepared working papers, and well devised audit programmes, of surveying internal routines with a view to preventing fraud and error — an appreciation of the analytical rather than the synthetic method of auditing, to work backwards from the final results to the original records, rather than simply to follow the steps of the bookkeeper; and above all a capacity to overcome the failing of many accountants of "not being able to see the woods for trees."

But on that bleak morning of February 9th there was no work to be done. An interim audit of Swansons had just been completed. The Institute of Applied Art was not ready.

To put on my hat and coat and proceed to call on the bank managers of the main branches in the city, would at least fill in time. G. R. F. Kirkpatrick, manager of the Imperial Bank and dean of Edmonton bankers, received me kindly. He asked me if I would be prepared to teach bookkeeping to his son George. Another few hundred dollars fee. A discussion with him respecting the financial data which the Bank needed to support credit applications was an opening gambit. Indeed, to ask him if he would mind if I

had discussions with his accountant and those responsible for preparing financial information for him and ultimately for head office seemed to follow naturally, I pointed out that I could be useful to my clients and also to the Bank if statements on engagements I received contained information which the Bank specifically wanted. This proposal was accepted tolerantly, and I spent time with the junior officers. In the course of the next few days I called on all the main branch managers — Frank Pike of the Bank of Montreal, a most delightful person, with the soul of a poet, Jim Walker of the Bank of Commerce, who subsequently became a close friend, Duguid McCallum of the Bank of Nova Scotia, and, of course, Esten Fletcher of the Bank of Toronto, an institution by which I had myself been employed between the ages of fifteen and nineteen. My pitch in each instance was the same. Some of the banks even went to the extent of showing, lending, or giving me forms on which they reported to head office. These I kept in a bottom drawer of my desk, together with information I had received respecting the attitude of the bank managers. Discussions with the bankers as to ways in which the auditor could be of assistance to them and to their clients met with interest and appreciation.

I had three ideas. The first had to do with cost accounting. With very little difficulty the auditor could calculate costs at each stage of production, and delve into distribution expenses with a view to ascertaining where money was being made and where results were meagre or inadequate. A modern business enterprise enters into thousands and sometimes millions of transactions in the course of the year. Many of these are made at an adequate profit, others are made at an inadequate profit, or even a loss. One of the tricks of modern business is to emphasize the effective transactions, and improve or discontinue the ineffective transactions. This would involve a comparison of the usefulness of equipment and techniques; the auditor should be able to get some ideas as to whether the advantages of technology and research were being used. It seemed to me important that every business should work to a plan. Budgets are vital. Planning should involve not only operating, sales, and expense budgets, but also financing, the peaks and troughs of bank loans and their ultimate liquidation. Finally, I showed the bankers

what was at that time a new accounting concept, a statement of application of funds, which showed the influence of operations, investment and dividends on working capital. Probably I was brash and excessively enthusiastic, but in most cases I found a sympathetic response.

Having called on the bankers, I then called on office-machine salesmen and distributors. Bert Watson of National Cash Register was very co-operative and became a close friend, as did the managers of Burroughs and Underwood Elliott Fisher. In my view machine bookkeeping could improve efficiency and speed results. Information about operations which is received months after the conclusion of the financial year is of minimal usefulness. Machines would provide a method of keeping tab on the effectiveness of a business from week to week, or even day to day, of reducing drudgery and increasing efficiency. The concept of data processing had just been born, but was beginning to howl, was even then a healthy and brawling child. Office-machine salesmen were particularly warm. They had so far received covert, if not open, hostility from the accounting profession. "Machine tapes or even unsupported totals were difficult to audit," it was said. I took the other view. The auditor could justifiably accept the machine function, providing accounting techniques were properly employed.

There was one additional concept. In the United States, and to a lesser extent in certain parts of Canada, there had been some conflict between the two professions of accountancy and law. Lawyers felt that accountants were undertaking to advise their clients on legal matters, particularly income tax, and even corporation law. Accountants felt that lawyers were undertaking to advise on business and financial matters, on which they were inadequately informed. Income tax lay in the gray area between accountancy and law, both professions regarded it as their own. I was quite sure that the two professions could work together in harmony and perform a useful function in the interests of the economy as a whole. It would not, however, be appropriate to call on lawyers—they might well be the clients of other firms. One must watch and await opportunities. They came in due course.

In the days and weeks immediately following February 9th there

were several lucky breaks. In a few days a telephone call from a Mr. Knapp, a partner with Mr. Thomson in the ownership of two laundries, the New Method and Snowflake, was received. The auditor of these laundries was a very able accountant, but was in ill health. Mr. Knapp explained that they had bought a new laundry on the south side. Would I care to undertake the audit? Since this was a new company there was no ethical obstacle to my doing so, and I did accept. \$300 was added to my yearly income. With Peat, Marwick, Mitchell in Calgary I had been in charge of the audit of Christie Bros. Ontario Laundry, and I was familiar with the business. It was possible to show Mr. Knapp and his partner several instances in which they were able to reduce costs and improve efficiency.

Following the demise of the auditor there followed the engagements of New Method and Snowflake\* (subsequently inherited by the Sydie and Farmer families). These engagements have remained with the firm to this day, and we got to know and like the Sydies.

In the first two weeks there was another lucky break. The firm of Van Allen, Simpson & Company, which had been a client of Peat, Marwick, Mitchell, had decided to dissolve. I received a telephone call from Mr. G. H. Van Allen, who asked me if I would undertake the audit of his firm's affairs. Almost simultaneously there came a call from Mr. William Simpson to tell me that he was entering into a partnership with Malcolm Macleod under the firm name of Simpson & Macleod. Bill Simpson has remained a valued client ever since, and Malcolm Macleod, of course, is now chairman of the Workmen's Compensation Board, a member of the Alberta Universities Commission, and father of Margot, the girl my son Bill married — a delightful addition to our family. I told both Mr. Van Allen and Mr. Simpson that I would have some hesitation in accepting these engagements as they were clients of my previous employers. They both pointed out that they were starting new firms, and insisted that they would like me to do their work. The matter was cleared with Grant Halpin, my successor at Peat, Marwick, Mitchell, and another \$1,000 was added to my potential gross fees.

\* Amalgamated in 1939, and now known as Fabric Care Associates Ltd.

When I had first come to Edmonton I had carried an introduction to a young lawyer, Frank Newson, who had just commenced practicing. This acquaintanceship prospered, and when, some years after, Frank married Affy Fosbery, Ben and I developed a very satisfying friendship with both of them, which we continue to enjoy.

In the ensuing months in 1930 my early calls paid off. Syd Madocks of the Royal Bank was sympathetic and encouraging, and in the course of the next few months referred more of his customers to me. Arthur Burrows, Frank Healy, and several others. Other banks, too, sent me an increasing number of clients, and in each instance I made a point of calling on the bank manager with my client, fully discussing his affairs, and, if necessary, credit arrangements for the ensuing year.

Machinery salesmen, particularly Bert Watson, persuaded prospective customers to engage me in the installation of machine book-keeping systems. In most instances they were without auditors, and I received continuing engagements.

Both Van Allen and Simpson were good enough to send me numerous engagements, and I in turn insisted that where points of law were involved, agreements or incorporations desirable, legal counsel be retained.

I was beginning from a standing start. It may take much effort to move a box car when it is rolling; to start from a standstill requires superhuman energy: nervous energy, spiritual energy, physical energy. Winslow Hamilton and Jo Connelly, my earliest associates, knew this best.

One client that George Van Allen sent to me was a particularly interesting character. He called himself a medical quack; had, he maintained, an X-ray eye by which he could quickly assess or diagnose one's ailments, and a healing hand with which he could treat the ailment, augmented somewhat by a staler full of liquid prepared in his basement by secret formula, but which was reputed to contain the juice of sundry vegetables such as carrots, cabbages, turnips, lettuce and varying quantities of epsom salts and other laxatives. I never tasted this formula, but I heard on good authority that it was dynamic in its effect. During a period in which doctors were finding great difficulty in making ends meet, not because of a lack of



patients but rather through the inability of patients to pay bills, my client, who acted on a cash basis of \$3.00 for an examination and \$2.00 for a treatment, including a stealer full of the special concoction, was making a substantial income. He claimed to have a working arrangement with Dr. Locke of Eastern Canada, of this, I am not sure. In any event, the patients lined up for blocks in front of his office, and there was a goodly pile of discarded crutches outside his door. At one time, a section of the Macdonald Hotel and over a dozen houses in the city were reserved for his patients, who were limited to the sparse diet specified during the treatment.

Van Allen had successfully defended him in the inevitable criminal suit. Van Allen told me that his tactics had been very simple. Before the medical complainant witnesses he produced a bottle of the defendant's medicine and an analysis signed by the Provincial Analyst.

"Would you, Doctor, prescribe this formula for your patients?"

"Well, it is a purgative that might be prescribed under certain very particular conditions."

"Would you say that anybody who prescribed this under all circumstances to each and every person is practising medicine?"

"No, certainly not."

How can anyone be guilty of malpractice who is not practising?

Through Van Allen our firm became the auditors, and in fact more than the auditors, the financial counsellors and his and his companies' advisers.

This early client was a controversial figure. In some respects he was like a religious evangelist — possessing many fanatical adherents, and at least an equal number of avowed critics. Whether or not he had a working knowledge of anatomy, he certainly had no opportunity to use the scientific and mechanical aids to diagnosis, such as cardiograms, basal metabolism tests, and blood counts. He seemed to live in a world of fantasy, and would tell the most amazing stories of people he had cured, rulers who had come to him for advice, and business transactions he had entered into. I suspected that it was this world of imagination, and the self-assurance it seemed to give him that caught the confidence of hypochondriacs,

neurotics, and people desperately afraid. History holds evidence of such psychosomatic relief, usually only temporary.

He was a small man, only slightly over five feet, and weighing about one hundred and twenty-five pounds; his massive wife weighted twice as much. They were both admittedly illiterate, and they were equally impulsive. Thus they bought houses, farms, race horses, apartment blocks on the spur of the moment. Their numerous transactions had to be straightened out afterwards as to legal and financial aspects by Van Allen and me — very often by an agonizing procedure, as many details had not been considered or discussed.

I can remember one amusing incident in which he offhandedly bought a house on Saturday morning, and then hied himself to a department store to buy the furniture in the afternoon. The credit manager refused to deliver it that day pending the usual investigation of his credit standing — much to his indignation. The one question the credit manager had not asked was whether he had the cash on his person. As a matter of fact, he always carried ten to fifteen thousand dollars in his hip pocket. On Monday morning when he told me of the incident he boasted of a big financial deal. He had walked over to a competitive department store and persuaded them to accept a substantial sum of money on deposit, on which they were paying him interest. In other words, he was angered by the man who asked time to check his credit, but was delighted by the man who requested cash. Finance can be fun — even for a credit manager.

Several more interesting clients came to me in that first year. Shorty Martin, a keen Scotch businessman, who was a "compleat" innkeeper, and had acquired the New Edmonton Hotel, Frank Hooper, a country garage owner and operator, several of Swanson's subcontractors, Sam Dickson, another lawyer; even one municipal district, and a hospital district.

Well, the first battle was won. In spite of the depression which had hit the country, even the world, in 1930, the practice wound up the next year with a net income exceeding \$4,000, substantially more than I had made as accountant in charge of Peat, Marwick, Mitchell's office. I had paid off my debts, and was able to buy

my wife a Christmas present. Indeed, I now employed a part-time office secretary in the person of a Miss Pollock, whose main short-coming, so far as I was concerned, was a deep attachment to her religious convictions which stopped her from working on Sundays, an unfortunate attitude in the busy season of a chartered accountant's office.

A student of the University, R. Winslow Hamilton, had asked if he might work with me during the summer months. I explained that I was just starting and had no money to pay a student. He said: "Do you mind if I stick around?" He did. I was able to pay him a few hundred dollars, and to assist him financially in his graduate year. There was one rather amusing incident in this respect. One day in that first summer we received an unexpected fee of \$100. I paid some outstanding bills, the salary of my part-time stenographer, and had \$50 left. I gave \$10 to Winslow, and kept \$40 to take home to Bess. That afternoon, as we were driving back from the University with two students in the rumble seat of the Essex, there was a grinding sob in the nether regions, and we came to a full stop. We had to be hauled to a garage. Said Winslow in a plaintive tone: "Well, it's a good thing we paid a dividend this morning."

# 2

## LET 'ER ROLL

BY 1939 THE SECOND BATTLE HAD BEEN WON, OR AT LEAST WE thought it had been won (thank God I can now occasionally use the plural pronoun instead of the angular<sup>1</sup>). Our practice was well established. We employed as many men as any other firm in the city, if not more. We had captured the confidence of banks and law firms. We had even begun to acquire a national reputation.

On his graduation in 1931 Winslow Hamilton had become my first articled student, and when in April 1933, he wrote his final chartered accountancy examinations he was awarded the prize for the highest marks in the province. This came as rather a shock to most of my competitors, since up to that time Commerce graduates had not been highly regarded. They were, it was said, too theoretical, too intellectually arrogant. When Winslow Hamilton became my partner in 1933 he was a tower of strength, and looking backward I am not sure whether he complemented me, or I complemented him. He possessed a very high intelligence and was a voracious reader. He had worked towards his Master's in Economics, and one of the instructors had told me that his university papers in Law showed remarkable insight. In addition to all this, Winslow possessed a balanced mind, and that tolerance for human foibles which is one characteristic of a good executive. In a comparatively short time he was in complete charge of the normal routines of the practice, and I was occupied almost wholly with special work.

When Winslow in due course "took unto himself a wife" Chris-

man Hamilton became a valued friend. She was not a social butterfly, but she had a wide circle of friends, who enjoyed her Scotch stability, her even-eyed attitude, and her whimsical sense of humour. Said she, "All the Sprague boys look alike, especially Percy."

One of the many qualities I admired in Winslow (probably because I am rather an impatient character, and politeness is often an effort) was a natural courtness to everybody. Tipping is an aberration which may be annoying, but on which many public servants depend for a livelihood. Winslow would never tip in a lordly or flamboyant manner, rather, it would be done with a pleasantry and a tangible expression of sincere appreciation for the service.

"Thank you. I'm afraid those bags were heavy."

"That was a fine dinner, and it was well served."

"When you brought those bags in I didn't have any change. Thank you for helping me."

No explicit directions were ever given, but it was noticeable that our staff followed his example in certain unwritten rules.

- 1) When one places a telephone call it may find the recipient in conference or otherwise engaged. The first question should be "May I take a few minutes of your time?" or "Is it convenient for you to talk to me?"
- 2) Any waiting for telephone conversations should be done by the calling, rather than the receiving party. The procedure so often followed by the self-important executive of giving a list of calls to his own telephone operator and then declining to talk until the recipient is on the line, is a discourteous assumption that the time of the person placing the call is more valuable than that of the recipient.
- 3) If a meeting or conference is suggested, it is courteous to propose that it be held at the other person's office, particularly if it relates to business or professional matters in which the other person is an expert, or has information to supply.
- 4) If, owing to the pressure of appointments, someone is being kept waiting after an appointment time, it is kind and takes only a few seconds to step outside, apologize, and explain the circumstances.

Self-importance and condescension are two vices of modern bus-

ness, and the civil service is not always blameless — sometimes, in fact, the name becomes a contradiction in terms.

In the meantime, too, a graduate of my first class at the University, Jo Connelly, had joined my staff as office secretary. She proved to be long-suffering and patient, and shortly did yeoman work in supervising the stenographic staff, keeping the books, and generally organizing the work. Today she is coping with the hieroglyphics of these memoirs.

It became my practice to organize each day's work the preceding night. Soon, I was lecturing some twenty-two hours a week at the University — three or four courses in Commerce, a course to law students, a course to dentists, a course to engineers, and, for a period, a course to education students. Time was my main asset. As a result, I would make notes the night before on a pad I carried, of exactly what I was going to do the next day, and the order of procedure. Unfortunately, after lecturing at the University at 8 a.m. and appearing at the office at 9.30 a.m., I often found I could not read my own writing. The deciphering of my notes became one of the many things on which Jo became expert.

Between 1930 and 1939 we had acquired a staff of excellent accountants. Following Winslow Hamilton came Bill Anderson, Harold Love, Alex Hamilton, Cliff Willett, George Berge, Eric Geddes, Bruce Sangster, Haughton Thomson, and several others. They had taken my courses at the University, and knew our attitude towards the profession, and we found that they developed very quickly indeed. The delegation of responsibility is always a nice problem. Through working papers, audit programmes, and questionnaires we contrived to direct the functions of the practice, at the same time encouraging the initiative of the younger men who had joined us.

In the 1930's it was almost impossible for graduates in Commerce, looking towards chartered accountancy, to obtain articles with firms other than ours, for reasons I have already explained. In several instances we offered articles to graduates we did not need, only because they had aptitude and we thought they should be given an opportunity to enter the chartered accountancy profession. Actually this probably redounded to our advantage. As our practice

grew we had trained men available — we all kept busy more than busy! As a consequence we became known as the only firm which employed university graduates. It was rather surprising, therefore, when one day in the forties I was approached by a delegation of my competitors.

"We want," they said, "to article some Commerce graduates."

"Then, why do you not approach them?" said I.

"Because they all go to you," they replied. I was interested and somewhat concerned at what I was afraid had been a misunderstanding of our motives. In my view, at some sacrifice and risk, we had given articles to Commerce graduates before their acceptance by other firms throughout Alberta, in their own interests, and, we thought, in the interests of the profession as a whole. I composed the matter by arranging for a representative of any chartered accountancy firm wanting to article graduates to interview any students in the graduating class who were interested in accountancy as a profession. This procedure, I believe, is still followed. In several instances I have sympathized with an allegorical story told by Abraham Lincoln. A man fell off a dock and was drowning. A passerby jumped in, and, at the risk of his own life, saved him. The saved one was voluble and profuse in his thanks. In a few days, however, he called around to see his saviour.

"Where," he accused him, "is my hat? Have you stolen my hat?"

In 1931 we had outgrown the premises in the Magee Building. At the suggestion of George Van Allen we shared a suite of offices in the National Trust Building with Van Allen and Rusty MacLean (who represented a firm of investment dealers). Van Allen sent us many new audits, and used me as an expert witness and financial adviser. Simpson and Macleod, our other legal clients, were equally strong supporters. At a cocktail party the other night Bill Simpson reminded me of an instance in which he had referred a difficult problem in an estate matter to Winslow Hamilton. Winslow had said, "I think I would like to discuss this with Francis." He and I had gone into a huddle, and we discussed the matter up and down, and backwards and forwards, we made computations and permutations, and finally we came up with a solution. Said Simpson:

"In two days Winslow came back with an ingenious solution

which saved a lot of money for our clients, and organized continuance of their affairs."

About this time, too, I met S. Bruce Smith (now the Honourable Mr. Justice Bruce Smith, Chief Justice of the Province of Alberta). Bruce was a junior member of the firm of Parlee, Freeman & Smith. He was extremely hard working, had a tremendous capacity for detail, incredible tenacity, and was wholly dedicated to his clients' interests. Bruce, who had been junior counsel in the defence of Soloway & Mills (a firm of oil stock brokers in Calgary whose "bucket shop" operations had been subjected to criminal action), used me as adviser and expert witness on the case following a collapse of Ross Alger's stock brokerage house, and a prosecution for conspiracy to defraud. We worked extremely hard for Ross Alger, but did not succeed in obtaining an acquittal. I can well remember the long hours I put in on the witness stand on that case, and the vigorous cross-examination of the prosecuting counsel. I do think we made a useful contribution to the case, and several lawyers who were in the courtroom at the time retained me as a witness and adviser on later cases. The Ross Alger case was my first important engagement as an expert witness and adviser to counsel.

At that time, too, I came to know and became a close friend of Bruce's senior partner, H. H. Parlee, later The Honourable Mr. Justice Parlee. Not only did we receive the audit of the Parlee, Freeman & Smith firm, and many appointments as auditors on their recommendation, but also I was retained in many instances to advise the firm on financial settlements, make special investigations on behalf of their clients, and sometimes to appear as an expert in lawsuits.

How we worked in the thirties! University lectures, dashes over town, working papers to check, reports to write, more university lectures to prepare, I was never home for lunch, seldom for dinner. Sunday was just another day. The forty-hour week! The thirty-five hour week! Don't make me laugh! Hardly ever did we go home without a brief case full of work. Several times I worked through a complete night—mainly because I became so engrossed with the problem that I couldn't leave it. Harry Parlee, who was a prodigious worker himself, will never know that when I met him at ten



o'clock one morning with a report and a series of suggested questions for examination of opposing experts, I had not been home to bed. The cross-examination was devastatingly successful, and we won the case.

One June afternoon Winslow Hamilton came into my office. We were not yet partners. "Mr. Wimspear," he said, "let's go and have a game of golf." What an incredible suggestion! Bankers might call, or clients, or lawyers. How could I build a practice on the golf course? But Winslow stuck to his point. I needed relaxation, fresh air, exercise. We went, rented golf clubs, borrowed shoes. The walk down the first fairway of the old Prince Rupert course was almost a revelation, a new world. I had forgotten that the sun shines, birds sing, grass grows, and flowers bloom. I went home to dinner that night a new man. "Boss," I said, "next Saturday let's you and Claude and me go on a picnic." The proposal was received with approbation, and, I think, with relief. I had emerged.

In 1934 we amalgamated our practice with Pat Ponton's, and for two years the firm was known as Ponton, Wimspear & Hamilton. This arrangement was concluded in 1936. I had met Pat Ponton in a small speaking club of which I had become a member, and we had found our practices at that time to be of equal size. We found, too, that we had the same ideas respecting a working-paper system, and were in agreement about the services which should be rendered to clients. Two difficulties ensued. One was that the two practices never wholly merged. There were always Wimspear & Hamilton's side of the office, and Ponton's, certainly, by a series of fortuitous circumstances our side of the office had gone ahead substantially faster than Pat's. I have always appreciated the fact that it was not I, but Pat, who proposed dissolution. He said, in effect

"I am not prepared to be carried by you, and on the other hand, I am not prepared to accept a smaller share of the profits. I think we should practise separately."

I assured him that I was not concerned about either of these points, but Pat was wise enough to see that it was not going to work. I have admired Pat Ponton throughout the years, and Winslow and I agreed that we would do everything we could to assist him in his aspirations to become a member of the Institute Council.

and an alderman in the City of Edmonton. He is a man one loves — faults and all. I can recall that when we first came together we had some discussions respecting the financing of the new firm, and I developed a plan whereby we would quickly complete one or two engagements and collect the fees in time to meet the payroll on the 15th of January. This, together with several carry-overs from the old year, would give us marginally enough money to meet our obligations on that date. Pat pounded the desk and said in his forcible Irish way:

"It will be all right once we get things rolling. If we go broke it will be in the first few weeks."

On the 15th of January I went in to see if Pat had completed the various engagements which were on the list I had given him.

"No," he said, "I haven't been in there and haven't been in there, and haven't been in there — I haven't had time."

"Well," I said, "how are we going to meet the payroll?"

Pat sat back with lugubrious satisfaction:

"Isn't that just what I told you," he said, "we're broke before we begin!"

However, with the assistance of my friend Syd Maddocks of the Royal Bank and extra effort on other engagements, we did succeed in meeting our obligations, and the year 1934 was a good year.

If Pat Ponton had had a son, he could write a satisfactory sequel to Clarence Day's *Life with Father*; Pat is the counterpart of that eccentric, violent, but lovable character.

I have already said that Pat and I were fellow members of a public speaking club known as the Spokes Club, and I digress to tell an incident, and to mention several members thereof. We were expected, at successive meetings, to give hour-long orations on a subject of our own choice. At the conclusion of the effort the audience handed unsigned criticisms to the chairman under the heading of "voice", "deportment", "subject matter", and "vocabulary". After Pat's effort one night the chairman picked up the first criticism.

"Voice," he read solemnly, "The hoarse roar of a castrated bull."

We all knew where that criticism came from. Ted Watt had served in the navy during the first war and had developed a vocabulary both profane and picturesque. His short stories and articles

published in both Canadian and American magazines were delightfully descriptive, and garnished, like his conversation, with a measure of lusty ribaldry. His rugged countenance and frame were masculine and appealing. I've always regretted that an invasion of Frank Buchman and his religious myrmidons stultified Ted's wit, and curbed his ribaldry.

Ted Kane, like Pat Ponton, was of Irish extraction, but was at the opposite end of the pole. He spoke quietly with just a touch of brogue, a puckish sense of humour, a keen sense of the ridiculous, and an appealing capacity to enjoy a laugh on himself. He was composed and capable. Now, as the Honourable Mr Justice Kane, he sits on the Appellate Division of the Supreme Court, smiling, I suspect, at his own eminence and the "due majesty of law". Ted Kane is a very kindhearted and thoughtful person. Often, indeed, he has put me to shame. On one occasion he remarked that a member of our staff, who was auditing his books, seemed unhappy and in bad health. Immediately I made enquiries and found that there was not only a rather serious indisposition, but also monetary difficulties which were causing uneasiness. I hope I expressed my appreciation to Ted for drawing my attention to a situation which I should have noticed myself.

Laurance Carra, later a Judge and Chancellor of the University, spoke in easy, well-reasoned terms. He garnished his talks with delightfully descriptive humour, and in due course became Edmonton's favourite after-dinner speaker. One day Laurance and his wife Jean visited us at our summer home on Vancouver Island. My daughter-in-law Margot and our first grandchild Debbie were also paying us a visit at the same time. Ben and Jean and Margot decided that they would like to go fishing, and asked Laurance and me if we would mind baby-sitting for my three-month-old granddaughter. "There will be no problem," said Margot, "she will wake up in about an hour. Change her diapers, give her her bottle, and she will promptly go off to sleep again." Laurance and I assured Margot that we had encountered much more difficult problems than one small granddaughter.

Hardly had the boat disappeared from sight before Debbie woke up and began to cry lustily. I beat the gun — changed her diapers,

warned her bottle, and laid her down to sleep. She had other ideas, and howled vociferously and continuously. I picked her up, held her over my shoulder and endeavoured to carry on a conversation with Laurance, who as usual was interested in conversing on matters of social and political moment. So Debbie squawked, and I walked, and Laurance talked, and our three girl friends placidly fished for salmon on the Saanuch Inlet. Then I saw our boat returning with the three girls. I waved desperately. Instead of coming to the dock, however, when they got about half a mile away they turned to starboard, and went to the other side of the bay to fish for cod. This exhausted my patience. I went to the neighbours and asked them to go out in their boat and bring back the mother of my wayward granddaughter.

Laurance and Jean have visited us at Ardmore on several occasions. I am sure that that particular experience will always live in their memory.

The 1930's had, of course, been a period of privation and economic decline. Nearly 20% of the working population of Canada were for a period unemployed. Business was striving to keep its head above water, to avoid losses. Bankers were concerned. All this represented an opportunity for accountants with analytical skills. We analysed production costs, departmental costs, distribution costs, and the effectiveness of advertising. We suggested retrenchment here, expansion there. We studied the turnover of inventories, profit margins in departments and lines, collection methods. Every engagement was a challenge — every problem a mountain to be scaled. We loved it! Our practice bounded forward! Engagements came from bankers, from an ever-increasing number of legal clients (McCuaig, Bryan, Steer, O'Connor), and from a widening group of satisfied clients. Many businessmen were frustrated and afraid. Prices were continually declining, and markets contracting. Our clients, I think, found confidence and courage in sharing their problems with us and with their lawyers and bankers because we were usually able to prepare a plan. When a course of action is prescribed, decisions finally made, courage is renewed — hopes uplifted. We were not always successful. Sometimes we made frightful blunders, but our successes far outnumbered our failures. It was a

strenuous life because our clients' aspirations were our problem.

In 1934 we made our first substantial fee — a tremendous fee for a young accounting firm in the thirties. One day I got a call from Ray Milner, then, as now, Edmonton's leading businessman, and head of the legal firm of Milner, Dafoe, Power and Martland. Milner was president of the Edmonton gas company known as Northwestern Utilities. Following a disastrous fire at the Corona Hotel some years previously, the company had been sued for a substantial amount of money, and after lengthy litigation the Privy Council had found against the company and had directed that the matter be referred to the lower courts for an assessment of costs and damages. Milner suspected that the adjusters in settling various claims had been unduly gracious, probably in the expectation that the insurance companies would be able to recover from the gas company. In addition, the Corona Hotel and several business tenants of the Hotel, including Motor Car Supply, had sued Milner's company for loss of profits and other damages. Would I undertake an examination of the affairs of the plaintiffs, advise Milner on financial details, and generally assist him in negotiations? Of course I would! The insurance companies agreed to negotiate and sent out two officers to represent the entire group. In the meantime, our staff had made a careful examination of all the available data, and had found many chinks in the armour of the opposition.

One of the insurance officers went home almost immediately, but the other, named Thompson, settled down in the Macdonald Hotel and stayed on for several months. At night, at the end of the day's work, we would meet for a drink, and often he would come to our home for dinner in the evening. He was a fine Scot of the old school, careful and unhurried in the assessment of our figures and our arguments, in due course we arrived at a figure which constituted a very substantial saving to Milner's company.

From these negotiations went on with the Corona Hotel and Motor Car Supply. I met Lon Cavanaugh and Colin McKenzie and Fred Johnson of Motor Car Supply one afternoon, and came to an arrangement which I think was satisfactory to them and very acceptable to my clients. James Henderson of Henderson & Kinaird was trustee of the estate operating the Corona Hotel, and we

were able to come to a very satisfactory settlement with him. Over an eight- or nine-month period the whole matter was cleared up. We had assisted Milner in saving a substantial amount of money for Northwestern Utilities, and their dividend programme was no longer endangered.

One Thursday night I came to the conclusion that it would be appropriate to send in a bill. The time in the ledger at normal rates showed about \$746. I had, however, done a great deal of work and held many discussions at my home and in the hotel on Saturdays, Sundays, and holidays. It seemed to me that a bill of \$1,000 would not be inappropriate. The next morning I discussed it with my partner Ponton. He took the other view — Milner was an important man about town — an influential connection, it might well lead to other things. Let's not scare him off with what he might consider an exorbitant fee. I told him I would discuss the matter with Winslow Hamilton, and I did that night. Winslow was inclined to agree with me, but felt it better not to round off at \$1,000, rather let's say \$900. I said I would sleep on the matter. Over night and at breakfast I came to the conclusion that I was being too modest. Milner was a top flight businessman, able and broadminded. He knew that a good job had been done and that a lot of money had been involved. Our accountants had done excellent work in the examination of the records, and I had been fortunate in my negotiations. Milner and I had worked like a well-bred team. I doubled my figure, and the bill was going to be \$2,000. When I got into the office I dropped in to see Pat Ponton to tell him the conclusion I had come to. His roar of disapproval could be heard three blocks away, and he finally ended the conversation by saying, "Do it your own way — I wash my hands of the whole affair." Late in the day I had a chat with Winslow Hamilton, and I found that over night he, too, had raised his sights. We decided to think about it over Sunday, and send in a bill on Monday. After my university lecture on Monday morning I arrived breathless at the office at 9.30. I called in Jo Connelly. "Jo," I said, "make out a bill to Northwestern Utilities for \$2,500. I'd just like to look at it." It looked enormous, frightening — it looked right. "Jo," I said, "put it in an envelope and bring it to me — I am going to take it over myself."

In a few minutes I stepped out of the office with the bill in my hand. I met Winslow Hamilton just entering.

He said, "Where are you going?"

I said, "To take a bill to Northwestern Utilities."

He said, "How much?"

I said, "\$2,500."

He said, "God bless you!"

Downstairs I met Pat Ponton. He said, "Where are you off to?"

I said, "To Ray Milner's office."

He said, "What for?"

I said, "To take him our bill."

He said, "How much?"

I said, "\$2,500."

He roared, "You're crazy!"

Milner's office was just across the street in the Royal Bank Building — by that time we had moved to the C P R Building. I was a well-known figure by then to Miss Chisholm, Ray Milner's secretary. She greeted me in a friendly way, and ushered me in. Ray is a genial soul, but he has his moments of gruffness.

"Well," he said, "what can I do for you?"

"Well, Mr. Milner," I said with some hesitation, "this engagement seems to be completed, and I thought I would like to talk to you about our bill."

"Oh, yes," he said, "how much do you have in mind?"

I said, "I have given it a little thought, and I have discussed it with my partners, and I thought that under the circumstances a bill for \$2,500 might not be out of order."

Milner said, "Hell!" He pressed a button. In came Miss Chisholm. "Tell the gas company to give the Winspear firm a cheque for \$5,000." Then, turning to me, he said, "My friend, you had better go back to your office and change your bill." That night we celebrated by having dinner at the Macdonald Hotel, something we had never been able to afford.

Over the years I have had numerous business transactions with Ray Milner, and have always found him able, fair and broad-minded. This instance helps to explain why Edmontonians find it

difficult to resist any invitation by him to subscribe to the numerous charities in which he is interested

Also in 1934 I made a trip to Eastern Canada, mainly because I wanted to meet the so-called mystic financial tycoons of Toronto and Montreal. It was gratifying to find that many of the high officers of the banks had already heard of me, and I was received cordially. I also met the partners of several leading accounting firms. George McDonald of McDonald, Currie & Company was an accountant after my own heart. He introduced me to Harry Hayes and Kenneth Carter (Kenneth had shortly before been appointed resident partner of McDonald, Currie & Company in Toronto), Jerry Jephcott and George Harris of P. S. Ross & Sons. As a result we began to get work from Eastern connections. P. S. Ross & Sons sent us the audit of the local branch of Henry Birks & Sons. We were appointed auditors of the Western operations of the Weston interests. This was quite a milestone — our first Eastern audits. We were jubilant.

In 1936 I had reason to believe that Harvey & Morrison, a firm of chartered accountants in Calgary, were not altogether satisfied with the operations of their Edmonton branch. We approached Frank Harvey with a proposal that he sell the branch to us, and act as our agent in the southern city. Harvey stipulated that we should offer employment to Cyril Baues, the local manager, and their staff, and we agreed. We acquired several new and valued clients, including Cecil Sutherland of Johnstone Walker's, and Bob Marshall and Emil Skarn of Crown Paving.

By 1939 I was almost wholly engaged in special engagements and activities, and not only was retained by lawyers to assist in negotiations with respect to financial matters, but found myself engaged in the adjustment of fire losses, acting on the dissolution of businesses, and advising on structural reorganizations. There are many avenues open to an accounting firm other than the normal routine of audit engagements, even in a city of some 75,000 to 80,000 people.

My work at the University had aroused my interest in economic theory and in law — not only corporation, partnership and income tax, but also the more basic principles of the law of contracts, torts, and agency. I advised students who were looking forward to ac-



countancy to take options in the Faculty of Law, such as the course on contracts, and to take all the options that they could in economic theory. They usually followed my advice. Steadfastly, however, we declined to advise our clients on legal matters. An accountant should know enough law to see the danger signs, to be in a position to advise his clients as to when a more profound knowledge of law should be obtained. It is probable that a chartered accountant's interpretation of what parliament intended in enacting a law, will be valid. Experienced counsel having been before the courts is much better informed as to the interpretation which the court will probably make. In short, I came to realise that in matters of conflict, an interpretation of the law is one thing, and a forecast of what the courts are likely to do is something else. In saying this, I intend no reflection on our courts, for the law is an ever-developing science, which must reflect the changing needs of society.

We were treated kindly by our competitors. Hugh Nash, the dean of practising accountants, invited me for lunch, and afterwards to play golf. J. C. Thompson, the Provincial Auditor, encouraged me in my aspirations. Harry Patuquin became a bridge partner. Edmund Thomson of Touche & Company was courteous and tolerant. Kenneth Bowman was a gentleman of the old school. Jim Henderson and Kenry Kinnaird gave me encouragement and help. In very few instances did we take engagements from existing firms. The rapid growth of our practice seemed to come from new enterprises where chartered accountants had not been employed, or from new fields of endeavour in which accountants had so far not been active. I did, however, experience some measure of surprise from my competitors at the attitude we were taking both with respect to the information we supplied, and in the interest we took in the managerial function and in various activities which had not previously been regarded as the function of an accountant. At one meeting of the Chartered Accountants' Club, in which the liability of auditors was being discussed, several members expressed the view that the auditor should adhere strictly to the requirements of the Companies Act, certifying a very condensed profit and loss account and a balance sheet. Additional information only widened the ambit of responsibilities, and increased the possibility of legal actions for negligence.

without increasing fees, which presumably had been set by the shareholders. This was one of the instances in which I showed restraint. I did not concur with such a view of our professional functions, and I had every intention of assuming widened responsibility, and getting paid for it.

We had another procedure which we developed in our young firm. We insisted that everybody have a good holiday, and for that purpose we inaugurated a vacation bonus in addition to the year-end bonus, stipulating, insofar as we could, that our men use the money to go away and refresh themselves with new scenes and experiences. I myself early followed the practice of taking a month off each summer. Sometimes with our boys, but often by ourselves, Bess and I would drive to California, or go to the west coast. In 1939 we had an extended holiday in the British Isles.

So, we had got the box car moving, not fast, but perceptibly on its way. Winslow Hamilton was physically frail, but was a giant in intellect, fabulous in loyalty. He was tolerant of my foibles, and consistent in his support.

# 3

## THROTTLE OPEN

FROM 1940 UNTIL THE PRESENT TIME OUR PRACTICE HAS STEADILY grown. With the commencement of World War II, and for a period thereafter, the emphasis changed, and income and excess profits tax was the most important single consideration facing a business. With the government taking anywhere from 50% to 80% of a corporation's profits, it was obvious that we had to concentrate on becoming tax experts. We not only prepared applications supported by extensive briefs to the Board of Referees under the Excess Profits Tax Act, and negotiated such matters as salary and wage allowances under the War Salaries and War Wage Boards, but spent a great deal of time advising our clients how to place their affairs in the best possible order from a tax aspect. In most instances we had a high measure of success, but I can recall some significant failures.

In one case we were acting for a coal mining company, and argued that the actual capital employed as shown by the balance sheet was materially understated because it did not include a proper assessment of the real value of coal reserves. In effect, we maintained that the real worth of the company was more than the books and the balance sheet showed. The Board was, of course, empowered under the Act to give a standard profit based on a certain rate of return, having regard to the actual capital employed. This was an important case, and we employed J. C. Thompson (formerly Alberta Provincial Auditor), who by that time was practising in Montreal, to work with us. We got Professor Norman Pitcher of the Department of Mining Engineering at the University to give evi-

dence as an expert. Counsel in Montreal were retained to present the case. The Board, which included Kenneth W. Dalglish, whom I knew slightly and was later to know better, listened most sympathetically to what we had to say, and we were convinced that we were going to be awarded a substantial increase over the basic standard. We were sure that we would save our client money, and probably get a refund.

During the celebration dinner at the Chateau Laurier that night (because our hopes were so high that that was what it amounted to) Professor Pitcher suggested that we hold a sweepstake on the results of the appeal, each contributing \$10. Winslow Hamilton was made the treasurer. I felt very sorry for the Montreal lawyer because he held the slip "no increase". He, we thought, could not possibly win. I held the slip for a basic increase of \$100,000. I felt that my client and I would both probably win this case, and that the sweepstake winnings would be a delightful addition to the fees that we would be able to charge. A few weeks afterwards we got the decision — no increase! We were deflated.

In 1938 William Kerr was appointed manager at the Bank of Toronto in Edmonton, and Winslow and I became close friends with him and his wife, he was of tremendous assistance to us in developing our practice. He was a banker after my own heart. His attitude of mind was always progressive and constructive. Consideration of a problem was not a single decision between "yes" and "no", but rather the development of a method by which the Bank's interests could be protected and its customers encouraged to improve the efficiency of their operations. During his tenure of office the Edmonton branch of his Bank moved from a somewhat minor position to be one of the larger branches of the Bank, and in due course Kerr became general manager of the amalgamated Toronto-Dominion Bank.

Our relations with Kerr, of course, worked both ways. We had numerous opportunities to take clients to him who were in need of credit facilities, and he and our firm took great pleasure in watching embryonic businesses grow into medium and sometimes large organizations. I would like to think that we contributed to that end.

Kerr and I played golf with Tiny Roberts, and we and our wives

spent many interesting evenings together. Tiny Roberts had originally come to Edmonton as a professional baseball player, having, he explained, been discouraged from staying at an American college because of the narrow-minded attitude of the dean. After a checkered career he found himself the owner and operator of a hotel, which included the inevitable beer parlour. Tiny, so-called because he stood well over six feet in height, his gaunt frame holding a massive conglomeration of bone and muscle ending in extremities of remarkably big hands and incredibly big feet, seemed almost double-jointed. One day when he came into my office he rolled a cigarette, twisted his legs into various degrees of contortions, and said, "Francis, could I get some insurance, just supposing something happens to somebody in my beer parlour?" "You know," he went on to enlarge the subject, "sometimes these characters get to be a bit of a nuisance, and we have to toss them out, and I am wondering what happens if one of them really gets hurt one of these days."

I said, "I am sure, Tiny, that you could get liability insurance to protect you against an accident happening to one of your patrons." I phoned his insurance agent and explained the circumstances, and immediately received an affirmative reply. The company was bound, and Tiny was from that moment protected by \$100,000 worth of liability insurance. I turned and reported the satisfactory disposition.

"Well," he said, as he uncouled from the chair, extinguished his cigarette, and ambled double-jointedly towards the door, "that's wonderful, because I think I know someone whom there is going to be an accident happen to."

Another client Kerr and we had in common was George Cormie. Cormie was a civil servant, Poultry Commissioner, in the service of the Province of Alberta, but left to take a junior position with a flour mill, a client of ours, which was owned by a large eastern concern. The flour mill, situated in Edmonton, was consistently losing money, and one day I received a letter from the eastern controller asking us to make enquiries about the reason for the company's poor results. Accordingly, I discussed the matter with the local manager. He told me there was simply no hope of making profits. The mill was obsolete and in competition with new and modern mills in Calgary. The best hard northern wheat was grown in the southern

part of the province. The company simply could not buck economies of scale, obsolescence and the transportation costs of raw materials. I wrote to the controller and told him that whether or not this story was true, the attitude of their local management was wholly defeatist. I was sure that the operation would not be successful in the present circumstances.

The company changed management. The new man, who had been in the milling business all his life, assured me that there would be no problem. "It is true," he said, "that we do have to import hard northern wheat for bread flour, but our soft Edmonton area wheat is excellent for making pastry flour. We will simply make pastry flour." In the result the company's losses for the following year substantially exceeded those of the previous management. Once again I was asked by the controller to make enquiries. The new manager was chagrined. "Pastry flour," he said, "is a widely advertised packaged product. We are making good flour, but it will require a very costly sales campaign to obtain its acceptance. Our production facilities are not sufficiently large to justify such an expense. I don't see how we can make money in this plant." Once again I reported to the eastern controller. The management was licked.

About this time George Cormie came in to see me. "I would like," he said, "to buy out the company." I asked him what assets he had. It seemed that he had a house and a life insurance policy, both of which he hesitated to mortgage because he had a wife and six children. In other words, he had no available assets. On the other hand, the eastern owners wanted badly to get rid of the plant. Winslow and I worked out a scheme. We would incorporate a company and issue debentures to the owners. We saw Bill Kerr at the Bank of Toronto and arranged tentatively for a line of credit based on the inventories, receivables, and other working capital assets. Half of this line of credit would be used as a margin of safety, and half would be applied in cash on the purchase price. In short, the eastern company would receive a substantial down payment and ten-year debentures for the balance. If a default occurred they could immediately take back their plant, and they would be no further behind. I went down east with George and made the proposal to

the high officers of the company. They were discouraged with the operations of the division, and after some discussions they accepted our proposal. Their lawyer was called in and given instructions to draw the necessary documents. The solicitor turned to the president of the company, and pointed out something which I thought had been self-evident. "Of course," he said, "you realize that this cash payment is coming from your own assets." The president said "Oh" in some anguish. I used all my eloquence, but negotiations went on the rocks. There must at least be some payment by George.

Cornue, it appeared, had a friend, to whom he had been kind, with a prosperous business. He was prepared to guarantee George at the bank for a small sum of money, \$15,000 which, added to the original down payment, seemed to justify the reopening of negotiations. We travelled east again. With this sweetener the proposal was accepted. George had acquired a business of substantial proportions without paying down any money, and with only a very minor accommodation from a friend.

He started to operate. He did not emphasize flour milling, but instead took advantage of the growing market for prepared feeds. George, a graduate agriculturalist, was a prodigious worker and a skilful administrator. Working closely with the Faculty of Agriculture at the University and utilizing agriculture students during the summer months, his company called on farmers and diagnosed the special needs of their livestock. Surrounding himself with able men, cashing in on high prices for livestock obtaining throughout the war, and the desire of farmers to improve their yields in butterfat, eggs, or live weight, he began to make a substantial amount of money, and paid off the debentures in a relatively short period of time. He has continued to operate a profitable business ever since.

This, incidentally, is one of a number of instances in which our firm was able to develop concepts, assisted by local branch bank managers, which enabled individuals to buy their own businesses.

Another such instance was James Christanson, the local manager of Waterloo Machinery Co. Ltd., which produced a line of farm equipment in Waterloo, Ontario. When war broke out the company obtained a substantial order for munitions. It was desirous of discontinuing production of farm machinery, and therefore wished to

sell its local branch. Jim, too, had very little money. We worked out a deal over the Christmas and New Year's holidays in 1939 — which did not add to my own domestic felicity. The company had several hundreds of thousands of dollars in bank notes on hand. It had adopted the conservative procedure of applying all payments on principal, so that the book value of the notes was considerably below their legal value, if interest were accrued from the beginning. We arranged to buy the notes at about 60¢ on the dollar, and the land, warehouse, and repair equipment for a fraction of the book value. Arrangements were made with Bill Kerr and the Bank to advance the money for the purchase price, on the understanding that I would be trustee under a debenture issue whereby a high percentage of collections was applied on the bonds, and a small percentage was given to Jim for operating purposes. Aided by buoyant prices for agricultural products and Jim's unquestioned skill as a collector, he was able to realize not only the face value of the notes he had bought, but also accrued and unrecorded interest.

Then we had a brain wave, and we consulted Jim's lawyer, Gerald O'Connor. Since he had bought the complete title to the notes, including back interest, the collection of anything Jim received in excess of what he paid was, we submitted, a capital gain and therefore not subject to income tax. Gerald concurred, and ultimately the tax department also acquiesced in this position. In a relatively short period of time Jim found himself a millionaire.

Jim was a very dynamic, indeed a very aggressive person, and when he died we found that the automobile dealership which he had lately acquired had become deeply involved. Here, again, we were of service. We assisted in negotiating the sale on a satisfactory basis. About the same time, the Massey-Ferguson amalgamation resulted in the estate getting a good value for a stock of Ferguson tractors which was on hand. As a result his dependents are living in modest affluence. Finance is fun!

During the war years there was a great temptation with 80% excess profits tax exclusive of the refundable portion, for clients to adopt illegal and improper methods of evading taxation. In many respects a chartered accountant is the conscience of his client. We



always made it clear that whereas we would use all our experience and ingenuity to assist our clients to put their affairs in the best possible order, we would not countenance any failure on their part to present all the facts. Discussions with the tax department must always take place on the basis of data which we believed to be accurate. Sometimes disgruntled clients would say to us, "You seem to be more interested in protecting the tax department than you are in protecting me." In a psychological sense such complaints required varying treatment, but usually it was sufficient to point out the difference between short-term and long-term advantages. "You want to be able to sleep nights," we would say. "If you have not disclosed all your income to the tax department, you nevertheless owe the tax. There is no statute of limitations on fraud — the risk is not worth while. Let's play the game according to the rules." Harry Friedman, a very fine Jewish lawyer, once described the situation to me with devastating clarity. "It doesn't take intelligence," he said, "to be a thug. Anyone can acquire a revolver and hold up pedestrians in dark lanes, or suburban stores. It may take a measure of physical courage, may be symptomatic of cowardice. To make money, build up a successful business whilst you follow the rule of law, that is a challenge which is worth while."

There were, of course, some instances in which we had reason to believe that inventories and accounts receivable had been understated, thus deferring or understating income tax. Sometimes, indeed, we suspected that the proceeds of sales were not finding their way into the cash register. In such instances we qualified our reports so as to put the tax department, the bank, and other interested parties on guard. In almost every instance we succeeded in convincing our clients of the necessity of adequate and full disclosure. There were some instances in which we had doubts, doubts which were expressed in our annual report.

Speaking of taxation, Winslow had an exasperating experience. His client owned a small but genteel hotel — a hostelry which country people enjoyed on their periodical trips to the city, and which was famed for its wholesome but old-world cuisine. Its owner made a modest income, sufficient to live on, but worked hard and long to keep his establishment operating. One day, shortly after the United

States came into the war, he arrived breathlessly at Winslow's office. "I have sold my hotel," he said, and mentioned a figure of several hundred thousand dollars, a generous price. The Americans wanted it for a transit rest lodge for airmen on the way to Alaska. He would not have to work anymore. He could retire. He and his wife had had hard lives, but now they could spend the evening in ease and comfort. Winslow congratulated him. His happiness was infectious. Carefree jubulance prevailed. But just as our client was leaving the office he made an arresting comment. "These funny Americans," he said, "won't take title to my property. They are leasing it for three years, paying me the purchase price as rent, with an option to use it for the duration of the war. I retain the title for what it is worth." "What?" shouted Winslow. Our client had the minimum excess profits tax standard of \$5,000. Exclusive of the refundable portion, he would receive only \$4,000 from the fabulous rentals which the Americans were prepared to pay. It simply wouldn't work. The bad news was pounded into the head of our crestfallen client. What would he do? Do? He must persuade the Americans to take title, it must be a legitimate sale, not a lease. Our deflated client left to reopen negotiations. Next day he returned. Finance and Canadian taxation were a deep mystery, but the Americans would pay another \$50,000. Patiently Winslow explained that another \$500,000 would not help, they simply must take title. Another day, another call. Up went the price. I suggested that the Americans might buy the furniture, admittedly old and obsolete, for a substantial price, and lease the land and buildings for a modest figure. The General called Washington. Washington declined such a subterfuge. Who knows? A senate committee might some day ask awkward questions. Our client and the American Army spent several weeks in negotiations, finally we were forced to call off the deal because neither side would agree to own the property. I hope Karl Marx turned over in his grave at such a Gilbertian twist to his cherished income taxes.

It is notable that Karl Marx advocated succession duties and high income taxes with a view to distributing income and wealth. Certain aspects of income tax and succession duties have in my opinion had precisely the opposite effect. Owners of small family-owned companies have found their life savings represented by undivided

profits, which, when distributed as dividends, become taxable in the hands of the shareholders. On death the estates become subject to crushing succession duty payments, and the necessity of declaring dividends to pay the estate duties. A combination of double taxation and succession duties, and a consequent blow to the working capital and safety of the business, have constituted a real danger to the continuance of the small and medium-sized businesses on the death of the original owners. Double taxation of corporation profits, plus succession duties, has in my opinion tended rather towards the centralization of ownership and control of Canada's resources, than otherwise. People with the financial resources or connections to disperse the income tax and succession-duty-load through open- and closed-end investment trusts have been able to buy goods, operating companies at a fraction of their real worth. The investment trusts can be controlled by a wide diffusion of holdings for as low as 15% of the outstanding shares. I have no objection to foreign investment in Canada, whether from America or elsewhere, particularly in industries requiring expert technology and massive investment of capital. Money and know-how from outside have been helpful in the past, and will continue to be helpful in the future. Increased productivity, ever improving living standards, balance of payment considerations, all require a hospitable atmosphere towards foreign investment. But I do feel that it is a pity that the small or medium-sized operator who has had a successful life and made a useful contribution to Canada should be forced to sell out at a mere fraction of his real worth because of a misconception of the workings of double taxation on corporation profits and excessive succession duties. The solution to the situation rests with Canadians, it is nobody's problem but ours. The proposals of the Carter Tax Commission with respect to testamentary gifts would accentuate rather than alleviate this situation.\*

A statement I have heard many times is somewhat to the effect that those who control the economy, control the nation, if, it is said, Americans hold a substantial or even preponderant investment in

\* Since writing the first edition the situation has been almost wholly corrected. First by the removal of succession duties and second by tax credits on dividends declared by corporations.

Canadian enterprises, Canada thereby loses control of its own destiny. Sometimes the term "economic colony" is used. That is another ghost in the Canadian mansion. I have two observations to make. It has not been my experience that my influence with governments has increased as I have attained modest success in business. Rather, if anything, it has declined. I face the suspicion that I am proffering advice which is not disinterested or dispassionate. I have yet to meet a top executive who feels that he possesses the influence he would like to enjoy with the government of the day. The suggestion that big business is in a position to wield the big stick, to cajole or threaten, is unthinkable. Most able businessmen would not think of adopting such tactics, and are quite conscious that they would not get anywhere if they did. Secondly, what precisely is meant by "controlling the economy"? Capital controls a business, or an industry, subject to the laws of our country and the administration of justice. Controlling a business is primarily different from controlling the economy. In the final analysis any business is the servant of the consumer — the people. Nevertheless, I would like to see Canadians improve their institutions, even their laws, and continue to develop an informed and venturesome managerial group. At the present rate of growth Canada doubles its gross national product every thirteen to fourteen years. If we are alert to our opportunities the ratio of Canadian to foreign investment will rapidly improve without discouraging the entrance of capital from outside the country. This is a digression.

Bruce Flavin and C. W. Boon & Co. Ltd. was another example of a company whose affairs we were able to reorganize. C. W. Boon had died. His estate was completely tied up in his company, which was not liquid, was in fact heavily involved, and earned rather meagre profits. The solution surely was for Bruce Flavin, Boon's son-in-law, to acquire the business, provide for the widow, and operate without the encumbrance and interference of a corporate executor, who was taking a rather narrow fiduciary attitude. We developed a plan. Bill Kerr concurred. I travelled east, saw creditors, obtained deferments and easier terms. Presto! Bruce owned the business. The widow was secure and relieved. The operation shot ahead. In a few years it was sold at an advantageous price, and still operates profitably.

During the late 1940's Winslow Hamilton had indicated to me that he felt my activities in the practice were somewhat more interesting than his. He suggested that he would like to get away from the routine side of auditing, and engage in some special work of the type which I had been doing. He pointed out that men like Alex Hamilton, Bill Asile, and Dave Bentley had captured the full confidence of our clients and possessed executive ability. I concurred, but the opportunity which came to Winslow was not of my finding. Shortly thereafter he was appointed by Gilbert Blackstock, Chairman of the Board of Public Utilities, to be the accounting adviser on a rate-case application relating to a pipe line in Turner Valley. With his command of English, his knowledge of economic theory, and his excellent mind, he immediately commanded the respect of all concerned. Gilbert Blackstock spoke of him in glowing terms. I was forced to the conclusion that he was a much better witness than I. He had the ability to express an analogy, coupled with that intellectual honesty which tends to capture the confidence of a board or court. From that time on until his death he was almost wholly occupied as an expert before the public utility or other commissions, the courts, and generally in expertise. Meanwhile I had gone on to other things which I will describe later.

The Edmonton business community in the thirties and forties contained many interesting, one might almost say, fabulous men.

John Michael had a rather obscure boyhood as a newspaper vendor on the sidewalks of New York. He never lost his Brooklyn accent and expressions ("Dem guys is bugs, Wunspear!") When he first came to Edmonton it is reputed that he carried on his newspaper vending operations at the corner of 101st Street and Jasper Avenue. This grew into a fabulous store. Mike's not only sold newspapers, magazines, books, all types of candies, cigarettes, cigars and tobacco, but also developed an associate to wholesale newspapers, magazines, and books. At Mike's store you could get your hometown newspaper from any part of Canada, the United States, or England, or practically anywhere else in the world, and the Provincial News Co. Ltd. maintained a massive subscription business. Mike was a real entrepreneur. Not educated in the formal sense, he

nevertheless had a discerning and courageous mind, and built up a loyal and forceful organization. He went into many other enterprises — bowling alleys, mines, aircraft. For a period there were few capital ventures in Edmonton of which Mike was not a part.

But this was not the only respect in which he was a great citizen. He had a heart as big as a barrel, and took a special interest in young people. The Newboys' Band, which in time became the Edmonton Boys' and Girls' Band, was sponsored by Mike, even to the point where he married the charming girl who trained the band and was his solo cornetist. This, however, was only one example of his many altruisms, and his interest in Edmonton. Sponsoring boxing tournaments, other athletic events, and an annual dinner on Christmas day for homeless ex-service men, he could always be relied upon to use his imagination and skill in the service of his community. When the United States entered the Second War Mike became almost the official greeter for the U.S. Armed Forces and employees of civilian contractors who invaded Edmonton in great numbers. To him must go, I think, a great deal of the credit for the friendly relations between Edmontonians and the visiting Americans during a difficult period.

Jack Glenwright was the general manager of the first life insurance company started in the Province of Alberta. He was a short, stout figure with a rasping voice and uninhibited interest in practical joking. Jack was the Mark Twain of Edmonton. He, too, was tremendously interested in doing things for other people, and was always taking collections, not for massive charities, but for some family or individual who he had reason to know was in need, or for someone else who he felt should be assisted in special training. Unfortunately a substantial portion of his company's assets was invested in Province of Alberta bonds, which declined very substantially after Mr. Aberhart's government reduced the interest rate, and Jack moved his company to Toronto. The removal of his business was a loss to Edmonton, and so was Jack.

Clyde Hook was, I think, the Stephen Leacock of Edmonton. He was a tall man with hazel eyes, and a jowl that was almost spaniel-like in appearance. In fact Clyde's whole countenance reminded one of a rather sorrowful spaniel with long ears. He would turn his

head on one side and look at you over the top of his glasses, with a pained expression which was often the prelude to some enormity. "Fornication," he said, "is the most fun you can have without laughing." He, too, was of that breed which was self rather than formally educated, but he was remarkably interested in hypothetical problems, and developed an organization, Hook Signs, which became very successful. Clyde was a very warm personality, and had an engaging capacity to enjoy the many friends he made.

Victor MacGosham, Jock McNeill, Bill Strachan, William Connelly — they were all remarkable people, and they have all contributed not only to a vital business life in Edmonton, but also to a development of community feeling and responsibility which, I think, continues to this day.

In 1942 we took Bill Anderson into partnership. He and Harold Love had spent some time with P. S. Ross & Sons in Montreal in order to get some idea of the operating methods of the larger firms, and to broaden their experience. If we were going to succeed it was essential that we evaluate the strengths and weaknesses of the larger firms. Harold Love and Alex Hamilton came into partnership in 1943. In 1943, too, we opened the Vancouver office. This was another important milestone. Should we concentrate on one office or should we make the first move, if not towards a national firm, at least towards a western Canadian organization? "What you in the East can do, we can do better!" Vancouver seemed a logical spot to make the first move toward a branch system. It was, we thought, the natural seaport for Western Alberta, we were the Switzerland of an ocean port. Most great cities of the world have had access to cheap transportation, an essential to effective distribution.

But then, I had a problem, one which only I could solve. Winslow wanted to move to Vancouver as the resident partner. I was sure that he would do well, but Bill Anderson, who was at that time less experienced, would also, I thought, make a name for himself and the firm. The Edmonton office, then as now, was vital to the firm's progress. Winslow was indispensable in Edmonton. I explained my decision to him, and he accepted with his usual tolerance and good sense. Bill and Della Anderson moved to Vancouver, and the firm name was changed to Winspear, Hamilton, Anderson & Company.

We were now embarked on a policy of branch development. In 1945 Edward Shaughnessy died and we acquired, not only his Edmonton practice, but a new office in Dawson Creek, B.C. In 1946, after we had cleared the proposal with Kenneth Morrison, Harold Love was sent to open a Calgary office. I have already told of our acquisition of Harvey & Morrison's Edmonton practice. In 1959 the Prince Albert and Tisdale practices were purchased, and in 1963 we bought the Regina and Estevan practices of Goldie & Hunt. Practices in Camrose, Weyburn, Merritt, and Prince George were either opened or purchased from existing practitioners. The necklace continues to grow.

In the forties, too, we faced the problem of growth in Edmonton — excessive demands, too much work. Our switchboard was overcrowded, our waiting room often filled with new clients waiting for an opportunity to see our partners. We had become a byword in Northern Alberta. Winslow and I were worried by the responsibilities of a fantastic reputation. We found ourselves explaining patiently to our new clients that we would do our best to advise them well, but that we really couldn't walk on water.

The rapid growth of the firm during the war and after brought other problems. Some of our men, including one or two of our partners, had served in the armed forces. They were undoubtedly entitled on their return to positions of equivalent seniority and remuneration to those that they had had when they left. Unfortunately, however, the facts were that they had been away from practice for some time. The audits they had supervised were now in other accountants' care, and they were out of touch with income tax and other developments. In Chapters 5 and 6 I mention our entrance into investment and business activities; they had had no opportunity of participating, and in the case of partners, they found several of their associates had advanced towards financial affluence. This situation required careful handling, and an attitude of justice towards all concerned. Winslow and Bill Anderson and I tried to do the right thing. I am not sure that in the estimation of the returned men we always succeeded.

Furthermore, problems of autonomy began to develop, autonomy not only of individual partners, but also of individual offices in rela-



tion to the firm as a whole. In the early stages of the practice Winslow and I had worked closely together. We succeeded, as Alex Hamilton has expressed it, in "staying on top" of all our engagements, whilst at the same time we were able to delegate work to men who could function adequately within the ambit of their experience and training. For many years, in fact, Winslow and I knew personally the financial position and problems of each one of our clients. As our practice and the roll of partners increased, there developed a tendency, consciously or unconsciously, for partners to regard the clients they supervised as their own special property. The practice began to decentralize — instead of one organization, it became a series of separate identities, each partner having his clients, his junior staff and his articled students. This tendency became even more apparent in the operation of the offices outside Edmonton. Effective operations, in my view, necessitate the utilization of men to best advantage wherever they may be located. There is little to justify a branch organization unless it gives continuing opportunities to maturing accountants, but partners in charge of offices outside of Edmonton naturally deprecated the loss of senior men or partners on whom they had learned to rely, and for whom they had developed a special regard. We found, too, a trend towards a variation in standards and methods, not only between the offices, but even between partners practising within the same office.

From time to time I discussed these matters with my friends who headed large firms in the east, and I found that our difficulties were by no means unique. At some stage a chartered accountancy firm must sail between the Scylla of centralization, and the Charybdis of professional autonomy and initiative.

One of the most difficult of administrative jobs is the presidency of a University. The President is working with *prima donnas* in the sense that his staff usually have deep feelings of professional pride, and are jealous of their individual prerogatives. To a somewhat lesser degree one finds the same problems in a substantial professional firm. As I became more interested in the administration of business enterprises, I expect I found it increasingly hard to reconcile the conflicts of professional practice.

All these problems we tried to meet in an atmosphere of tolerance

and goodwill. One of our first moves was to inaugurate an office manual, originally written and edited by Winslow, which endeavoured to express concisely the policies and the procedures of the firm. We also held semi-annual meetings of partners, at which the manual, procedures, and all other problems were fully discussed. On the whole, we were able to reconcile differences of outlook rather successfully, but there were instances in which managing partners of outside offices would take a somewhat adamant position. Our mid-year meeting, which was usually held in the spring after the income tax rush, was for a number of years held at my summer home on Vancouver Island. It was a happy event. For a part of the day we would play golf, go cruising, take walks and enjoy the spring flowers, budding trees and sunshine, a special treat for partners from the interior. Our business meetings were satisfying events. They were garnished with the dry humour of Haughton Thomson and Ernie Lister, the buoyant good humour of Bruce Sangster, the apt analogies of Bill Astle and Dave Bentley. Our problems were common to all of us, our many successes were mutually enjoyed. Our discussions were excellent examples of the workings of the composite mind. As the number of our partners grew, it became impossible to give them all accommodation at Ardmore, and I found that Bess could not physically or emotionally stand the strain of entertaining so many, even the housekeeper found it more and more difficult to cope. I begged Bess to permit me to employ caterers, but her deep sense of hospitality would not permit her to have guests in her home without her presence. A change of venue to resort hotels resulted in some loss of the fellowship which had characterized our meetings at Ardmore.

The annual conference in Edmonton, which went on for several days, was a unifying factor. At the annual banquet held at this time the staff went to great trouble to put on special songs and skits, which were always amusing, and sometimes searching.

During the years we had been approached by several of the large eastern firms who aspired to operate on a national basis, to amalgamate or sell our practice. Some of these proposals were very flattering, but I found my friend and partner Winslow Hamilton unutterably opposed, even to the point of suggesting that in such an

event he would prefer to conduct a consultative practice on his own.

In 1951 I was invited by Mr. Carson, the President of the Bank of Toronto, to join the Board of Directors of the Bank — the first Canadian chartered accountant, I believe, to have been so appointed. I rather suspect that Bill Kerr's influence had an important bearing on this invitation.

In December 1956, Winslow and his wife Christian were killed in the North Star disaster on Mount Slesse. I was returning from England following a series of business negotiations. Winslow and Christian had gone to Vancouver to attend the annual banquet of the Vancouver office, and the East-West all-star football game. In the early hours of the morning I received a telephone call from Bea. Trans-Canada Airlines had called her. The North Star carrying Winslow and Christian had not been heard of for some time, and there were fears that it was no longer airborne. Often the sharpest blows are followed by a psychological anaesthesia. I felt numb; nevertheless I went that morning to a meeting of C.I.L., of which at that time I was a director. It was not until days, even weeks later, that I felt the full poignancy of the loss of my old friend and associate. At the memorial service All Saints Cathedral was packed, and the Archbishop of Edmonton delivered a sermon which will long be remembered by those who were present. Many of us subscribed towards the cost of a swimming pool for the use of students at the University, which is dedicated to the memory of Winslow and Christian Hamilton. I am the executor of his will, and have endeavoured to take care of the needs of his two daughters in a manner which Winslow would have approved. With his death Canada lost a man who was, in my opinion, one of her greatest accountants and ablest and finest gentlemen.

In 1959 Anderson led the partnership into the national firm of Wimspear, Higgins, Stevenson and Doane. Bill had had a series of discussions with Bill Kay of Toronto, followed by further discussions with Doane in the Maritimes, Stevenson in Montreal, and Hurley in Winnipeg. The firm is a federation of four units, each maintaining its own identity, with each providing services for the Canada-wide firm on national audits. In a short time relations were entered

into with accounting firms elsewhere, and it is now represented in twenty-six other countries throughout the world. I was and am proud that my name was chosen to head the firm name.

About the same time, too, we entered into partnership, forming a separate organization, with a firm of English management consultants widely recognized throughout Europe. The new association was entered into for the purpose of operating throughout Canada, and the North American continent generally. It was known as AIC-Winspear Doane Ltd., and operated for several years.

In 1964 I retired from the firm proud of its attainments and proud, too, of the contributions which I felt the firm had made to our profession. Our partners had served on provincial councils, and several of them had been presidents. We had made contributions to professional committees, both national and provincial, including the provincial and national examination boards, national research committee, and the Canadian Tax Foundation. Our firm had never been sued for negligence, and in this we were almost unique among national firms. Indeed to the best of my knowledge we had never even received a lawyer's letter alleging negligence on our part. The only unpleasant incident occurred two years after my retirement. It was unpleasant in that it reflected, I think unjustly, on the character of a former partner and long associate, Bill Anderson, and because the name of the firm was mentioned in a reprimand given to Bill by the Council of the Institute of British Columbia. Incidentally, Bill was at that time the distinguished president of the Canadian Chamber of Commerce.

Accordingly, I read the transcript of the proceedings with great care and then proceeded to get an opinion from my old and distinguished friend, George H. Steer, q.c. George confirmed his opinion by reference to two other counsel, Cameron Steer and Bruce Massie, which was to the effect that Bill Anderson, for several reasons, could successfully apply to the Supreme Court of British Columbia for a writ of certiorari to quash the proceedings before the Institute. Arising out of an article in the Vancouver Sun on the sale of shares of Neon Products, Bill was accused of holding shares in the company sufficient to influence his independence, failing to maintain professional independence, and generally tending to lower the standards

of dignity and honour of the profession. It is true that whilst Bill never at any time held more than 9% to 10% of the shares and did not trade in them for his own profit, he was for a period, I think to his surprise, the largest single shareholder, and I believe he would agree that he should have disclosed his shareholdings in the certificate which the firm gave. There was, however, no evidence adduced that he or the firm lost their independence. The balance sheet was confirmed by an international firm, and the accuracy of the firm's report was not questioned. The imputation that a professional accountant has failed to maintain independence should be supported, in my opinion, by overwhelming evidence of transgression. The Institute, in my view, was in serious error in confusing temptation with digression. Indeed, the chairman of the reporting committee made the rather, to me and to the counsel I consulted, astounding statement "We find that any ownership sufficient to influence, whether or not it did influence, offends against this rule and is in itself a loss of independence."

I am afraid if it had been me I would have taken action against the Institute and against the members thereof who I felt had failed to properly weigh the evidence. Indeed, no evidence had been adduced, except that given by Bill Anderson. However, Bill chose to accept the reprimand, and the matter is now closed.

I state elsewhere that in my view a profession is a brotherhood bound by a common interest in a branch of knowledge. I felt then, and I still feel, that this incident is not characteristic of a well-based professional brotherhood.

# 4

## "WHATSOEVER THINGS ARE TRUE"

*Motto of the University of Alberta*

ON FEBRUARY 9TH, 1930, DEAN REER INTRODUCED ME TO A CLASS of advanced students in accountancy. I have already described in Chapter 1 the crisis which had occurred at the accountancy lectures the professor was not meeting his classes, and final examinations were only ten weeks away. The students were a distinguished group. Vincent Allen subsequently entered the Canadian Trade Commissioner service, and was commercial attaché in London and Washington for a number of years. He is now in Canada's consular service. Winslow Hamilton, of course, became my partner, and a very outstanding accountant and economist. Frank Barclay has had a most successful career, and has recently retired from the Income Tax Department. Herb Hutton became a top executive of Burns & Co. Ltd. Bob Prettue is President of Northern Tar, Chemical & Wood Ltd. in Fort William, and has had an outstanding business career. Josephine Connelly, as I have said previously, became my own valued secretary. Ray Moran served articles in our firm, and became a chartered accountant of note. Dora Fry married Dr. Eric Kneen, a prominent research scientist, and is living in Wisconsin. Jim Bentley is amongst those who have received an award under the 1968 Canadian honours list. I have lost track of many of them, including Harry Critchley, Malcolm Butler, Bill Paton, Tommy Small, but they all, I think, have had successful careers and happy lives.

This was an advanced class. Presumably they had learned the fundamentals of bookkeeping, and were now supposedly ready to

study the intricacies of corporation accounting and finance, consolidations, partnerships, and costs. But could I be sure that they really had the necessary background? As I have said, they would be writing their final examinations, several of them, in about ten weeks' time. What did they really know about accounting?

First, there was the significance of the subject. Finance has a romantic and interesting history. In many respects it is synonymous with the history of civilization. Wherever man has lived and exchanged goods and services, thousands of years before Christ in Babylon, Assyria, and Egypt, bookkeepers were there to record, advise and to plan, even as bankers have been available to provide the medium of exchange. By the Middle Ages practically the entire commerce of the Western World was in the hands of Italian cities. Accountants provided the tools of trade. The history of accountancy probably takes a short voyage into theology, for it is thought that the concept of the modern joint stock or limited liability company was derived from the corporate being of the Roman Catholic Church, a prelude to the modern concept of "an artificial being, invisible, intangible and existing only in contemplation of law." The Hanseatic leagues used the corporate concept to own and maintain property, to trade, to combine, even to maintain armies and navies, all such rights and properties being vested in the city as a corporate being, separate and apart from its own citizens. There is romance to accountancy, history and romance to finance, to business, to banking. It is a field of endeavour which may properly challenge the lifetime interest of an intelligent mind, and as such it is worthy of a place in the university curriculum.

About the time that Columbus discovered America, an Italian monk, Lucas Pacioli, went to the court of the Duke of Milan and became the close friend of Leonardo da Vinci. In a treatise which he wrote on arithmetic and geometry, he included some special concepts of bookkeeping. Possibly the double entry bookkeeping equation had been stated before, but he expressed it with particular force and clarity. "Assets equal liabilities plus net worth." "Assets minus capital deficiency equal liabilities." Every business transaction must be considered in relation to this simple equation. A reduction in cash must represent an increase in another asset, an increase in li-

ilities, or a decrease in net worth. It becomes more than a technique; it becomes almost a school of thought. The skilled accountant learns to think in equisive terms. If I do this, what effect will it have on that? If I increase my assets, to what extent do I increase my liabilities or net worth? The concept is vital to a proper appreciation of business thinking. Most financial mistakes are due to single entry thinking, a tendency to look at only one side of a question, a failure to follow all the implications of a certain course of conduct.

Men and women who profess a certain branch of knowledge develop a certain habit of mind. A lawyer learns to think as a lawyer, a doctor as a doctor, an engineer as an engineer. The important thing in accountancy is to get the double entry concept firmly fixed in one's mind, and to use it not only in relation to one's own affairs, but also to those of one's clients. An historian must be accurate, accurate in recording, accurate in interpreting. Pacioli's is a technique which encourages accuracy.

I think I infected the students with my enthusiasm. Discussion was brisk. They had had an enforced respite, and were now anxious and ready to work. We had an exciting and vigorous ten weeks together.

After the first lecture I was taken by Dean Kerr to my temporary office. The University was overcrowded, for it had attained an enrollment of nearly 1,800 students. Said the Dean, "Would you mind if you share offices with Dean John Weir of the Faculty of Law?" John Weir emerged, a somewhat rotund Wellman figure in a cloud of smoke, from a conglomerate mass of dusty law books and papers and we sat down to have a chat. He had a shy laugh, but a hearty handshake. It was a privilege to share offices with him for that first year. He was a dedicated lawyer of the old school who found, he said, everything in his profession: the best of literature in classical judgments, history, science, all knowledge. His memory of cases was incredible. In the flash of an eye he could move a massive bundle of books and papers, wipe off the dust, and read aloud just exactly what Lord Chief Justice So and So had said in 1852. Incidentally, practically the entire law library at that time was in his office. He was untiring in his devotion to the students. Many times have I



known a student to whip a tired argument almost to the point of exhaustion. John Weir would patiently discuss each point with him, refer him to the authorities, and finally convince the budding lawyer that he had not taken all things into consideration.

I suppose it is natural for law students to tend to be rather smart-alecky in their attitude as they first encounter the excitement of technical interpretation. My partner, Alex Hamilton, tells the story of taking a course in contracts from Dean Weir. A student was monopolizing time in discussing a far-fetched and extremely narrow interpretation of a judgment. Weir patiently demolished his arguments one by one, and concluded by saying, "It is always desirable, Mr. —, if moral concepts are not on your side, to be very careful of your law."

The following year at the University Dean John Weir had obtained an assistant, Malcolm MacIntyre, and I was given the room next door. I still saw a great deal of Dean Weir, and even more of MacIntyre. The two men were very different. Weir was a graduate of Oxford in constitutional law, and essentially a conservatively-minded man. MacIntyre, very boyish and in every respect a delightful person, was a graduate of Harvard Law School. He tended to be broad, even radical, in his thinking, if not his knowledge. Possibly it would be fair to say that whereas Weir was an able legal scholar, MacIntyre was a distinguished student of jurisprudence—the philosophy of law and its relation to other disciplines. Certainly, MacIntyre had a very profound mind and was prepared to go into the deep waters of philosophy, science, and religion. We spent many fascinating hours in the company of Mac and his wife Peggy.

My work at the University immediately brought me into contact with many other very interesting and rather wonderful people. Alex Elliott, the Head of the Department of Political Economy, had an exceptionally fine mind, and continually challenged glib and superficial thinking. To Alex no proposition was self-evident, there was always a unique and interesting angle and intellectual honesty demanded a careful examination of every conceivable qualification or reservation. He was tremendously appreciated by advanced students in his subject, but was a cause of concern, I think, to junior classes. Shortly Andrew Stewart joined the economics department,

and we were proud to include him and his wife in our circle of friends. Andrew had a very realistic and probably pragmatic approach to his profession. He succeeded in reconciling common sense with economic theory. When he afterwards became President of the University he proved to be an excellent administrator. Subsequently he was appointed Chairman of Canada's Board of Broadcast Governors, and is now Chairman of the Alberta Universities Commission.

Dean Kerr I admired as a scholar and gentleman. Dr. John MacEachran and Dr. John Macdonald in the Department of Philosophy (whom I have mentioned in the introduction) also became intimate friends. Dr. William Alexander (known affectionately as Dokalek) and Dr. George Hardy, and later Dr. Walter Johns of the Department of Classics were exciting and invigorating people. It was a privilege and a delight to talk to such men in the evening over a drink or at dinner parties. Our conversations seemed to cover the whole scope of human affairs, and I found that the gauntlet was forever being thrown down. Ben and I faced new challenges, new ideas.

In the 1930's we played and enjoyed a certain amount of bridge of a somewhat social variety. The Culbertsons were the preading gurus, and Messrs. Goren and Scheinwald had not complicated the game by point counting and other tiring mechanisms, nor had the Italians obtained their current ascendancy by excessively artificial conventions. The game was not complicated by far-reaching and almost continuous post mortem huckering. It seemed to me that we spent far more time in conversation and certain types of games and discussions that I found invigorating and refreshing. But one game, at least, the old fashioned spelling match, was the basis of concern, the classicists who knew their Greek and Latin derivatives consistently humiliated me. It was noticeable, too, that the professors seemed to find an emotional outlet in enjoying symphonic and operatic recordings, an appreciation of art, or in attending good lectures.

For exercise, which is in itself an emotional outlet, there were golf in the summer and badminton and skiing in the winter. Modern technology is affording more and more leisure time, but I

am somewhat doubtful as to whether the time is being wisely used. It is possible that educational systems today emphasize the training of the mind, rather than the emotions, that we should direct ourselves not only to bettering the immediate efficiency and productivity of Canadians, but also find some other outlet for their emotions, other than cocktail parties, beer parlors, or TV. Aristotle pointed out (in his *Politics*, Book VII) that proper relaxation is essential to productive work.

Owing to my early upbringing I was not altogether a stranger to philosophical thought in the classical world. My brother is a distinguished classical scholar. My father, not a university man, nevertheless had an excellent mind and was well read. My mother loved good literature and could quote Shakespeare at length. My sisters are excellent students with fine, well-organized minds. Our dinner table conversation was on a high plane, and Dad was a superb family chairman. Our comments could be forceful, but must not be unfair or bitter. With Democritus, Plato, Socrates and Aristotle, I had at least a nodding acquaintance. I also had some knowledge of the derivation of the Christian-Judaic ethic — the two main schools of Judaism, the Talmud and the Sadducee, and the influence of Grecian philosophers, first on St. Paul, and then on Augustine and Thomas Aquinas. The thirties was a period of social and political unrest, and traditional habits of thought were consistently being challenged — always an interesting function of a university. "God," quoted one of my friends, "did not create man in his image. On the contrary, man created God in his."

In the mid-thirties a new political movement, Social Credit, led by my former mathematics teacher at Crescent Heights High School in Calgary, William Aberhart, was making substantial progress. The Provincial Legislature, dominated by the Farmers' Party, adjourned itself into a committee of the whole for the purpose of investigating the new political ideas. Dean John Weir was called to give evidence on the constitutional aspects of the problem. Of course, he had no alternative other than to express the view that banking and currency lay within the ambit of the central government. Alex Elliott was also called to give testimony on economic theory, and he pointed out the significance of Gresham's law — the

tendency of bad money to drive out good. Mr. Aberhart took issue, of course, with both these views, and there was some suspicion that my two friends became in composite the "Professor Orthodox-Anonymous" of Mr. Aberhart's broadcasts.

At that time, as now, there were some differences of opinion between the so-called "two cultures" — science and the humanities. I well remember one discussion on the subject of a humanitarian education and what it is likely to achieve, and the comments made by one of my colleagues. "It is nonsense," he said, "to suggest that a study of the humanities may make a person better balanced or adjusted. He may well develop suicidal tendencies at the contemplation of the awkward stage of evolution in which we find ourselves. Does it make him a better conversationalist? He may withdraw into brooding reverie. Does it help him to make proper use of his leisure hours? Possibly, maybe not." Said he, "We have to keep slogging at the question 'What is man?' With all his beastly and brilliance, all his incompetence and achievement, you come out with a feeling of awe and wonder at the results of this curious mechanism, and a realization that each generation which has been articulate has faced 'sorrow and fear and pain and hate and indignation' and survived. The ichthyosaurus didn't — maybe we won't. But perhaps our 'culture' may help the next twig on the evolutionary tree."

From there we went on to discuss the contributions which the humanities can make to my own profession, and to the world of business as a whole. When an accountant reflects on the history of accounts, when he recognizes himself as an historian recording contemporary activities, analyzing and adjusting and summarizing those records so that they may be of benefit to posterity, when he remembers that writing itself developed largely because of the need for expressing business activities, when from the sheer love of intellectual activity he contemplates the significance of such terms as "complete disclosure" and "articulation of expense and income"; when he uses the wealth of inherited experience to meet the problems of an evolving society, then he is indirectly, if not directly, benefiting from the humanities. When a banker finds delight in the shades of expression in a skillfully worded letter, or recollects the

historical conflicts surrounding his vocation, he, too, is an heir to the humanities.

A great deal has been said, written, and thought about an effective business education. There are those so dedicated to the liberal arts that they deprecate any so-called technical or specialized education at the higher levels. With this view I cannot wholly agree. If one places a man in charge of a lumber company, whether he be an accountant, a lawyer or liberal arts student, he must at some time obtain an intimate knowledge of the workings of the industry. He need not necessarily be a forestry engineer, for instance, but he must know something about trees and logging and mills. The same thing is true of steel mills, electrical contractors, or any other business to which a top executive is appointed. If this information can be summarized and digested before the executive takes over, time will be saved and productivity will be increased. Elsewhere I have referred to my admiration for the field of law and its usefulness in society. Not all lawyers make good business executives — some do, some don't. If they do, they must attain a knowledge of many facets of business activity outside their original profession. The same is true of political economy. Economics is very useful because it develops a sense of timing and a proper perspective on events.

A discussion which I remember with particular pleasure was one relating to the psychological attitude of the scientist in his search for truth, the philosopher in his equivalent pursuit, and the *literatus* in his skilful description of human motives, actions and events. Most intellectual activity of the sort could be broadly classified under one of these three headings, and it was pointed out that the early philosophers tended to be scientific in their approach to the subject, and speculative only when the observational data were no longer available. At that time Bos and I, like many others, were fascinated by the writings of Jeans, Eddington, and Le Maître, later on followed by Holt and Gheeslin. I must say that we found this type of book much more comprehensible than Kant or Spinoza, which confessedly we did not successfully read even in a translation of the original. John Macdonald was very kind on this point, and remarked that very few people can comprehend Kant, and that it was

best to read an interpretation or précis of his works, Macdonald was a great student of German philosophy, and I was delighted to hear him explain the doctrines of determinism and reconciliation.

In my work at the University we followed the committee system. I found myself sitting on the committee of the School of Commerce, and finally, on my promotion to full professorship, on the committee of the Faculty of Arts and on the General Faculty Council. Coming from the business world, I was prepared to be rather supercilious towards the way in which the affairs of the University would be carried on. I was rapidly disillusioned. Generally, the chairman was an effective presiding officer, the statements and arguments were cogently presented. Our enrollment in Commerce at that time was sufficiently small that the aptitudes and failings of each student could be thoroughly discussed. Looking back, I am surprised at how accurate those assessments were.

It was not all beer and skittles, however, the General Faculty Council became somewhat of a bore. Several of its members tended to ride their hobby horses and make long wearying statements, often not fully directed to the business at hand. I am prepared to admit, too, that I did find some evidence of intellectual arrogance amongst some of my fellow staff members, sometimes even a tendency towards laziness. These were exceptions. I was impressed not only with the presentation of knowledge, the desire to inspire students and to bring out the best in them, but also the extreme value of research. Subsequently, as a member of the Survey Committee (appointed by Mr. Aberhart's government) under the chairmanship of The Honourable Mr. Justice Parlee I had an opportunity of tabulating some of the things which research at the University had been able to do for Alberta, and indeed for the world, in agriculture, medicine, and science generally.

As our practice overtown increased, and at the same time as I found more demands on my time at the University, I arranged for assistants. My partner Winslow Hamilton was the first, and his courses were always very much enjoyed. Afterwards Alex Hamilton and a growing number of commerce graduates, who had obtained their C.A.'s, received seasonal appointments. We followed, too, the

practice of appointing lab instructors to assist in the elementary courses in accounting, which of necessity require a significant measure of detailed work by the student in order to acquaint him or her with fundamental bookkeeping processes. Towards the end of the War a full-time assistant professor was appointed, and my work was reduced, although I was asked to continue as head of the Department. I finally discontinued lecturing in 1948.

In 1952 Andrew Stewart, who was at that time President of the University, asked me to come back as Dean of a reorganized Faculty of Commerce. I agreed to go back for one year as an unpaid officer. I am not at all sure that it was a fruitful year either for me or for the University. It did, however, provide an opportunity for me to travel widely over Canada and the United States, hold long and intimate discussions with business teachers, and examine the organization and methods of other schools. In several instances I asked for and obtained permission to listen to lectures and discussions. Two concepts became embedded in my mind which have not been removed since. First, business is best taught at the graduate level, and if possible after some actual experience. It is a discipline which requires mature minds. Secondly, a business school should never lose contact with the world of affairs. The dean or chief administrative officer should probably be a full-time man, consistently available to his students and staff for advice and discussions, and in close touch with the many details of the faculty. An important segment of the staff, however, should be men active in business. They will speak with authority, draw on their own experience, be listened to with respect, make their subject live. The usual difficulties ascribed to the use of executives in business schools are first, the difficulty of getting busy men to spend the time, and secondly, the administrative disruption which occurs if they are called out of town, or if for other reasons they are unable to meet their classes. The first problem can often be solved by time-tabling the executive's lectures in the evenings, or some other convenient hour of the day. Businessmen give significant hours of time to United Appeal and other welfare drives, to cultural organizations, city councils, or even the Economic Council of Canada. During the last war there was no shortage of

"dollar-a-year men" in Ottawa. Most of them are interested in young people, and have a streak of idealism. If they were made to feel that the training of a strong managerial group is part of their responsibility, I am sure that they would respond. The other problem, administrative disruption, can only be met through co-operation of the academic permanent staff, but should not be insoluble.

In the 1960's I served for a number of years as Chairman of the Alberta Selection Committee of the Rhodes Scholarship Trust. My immediate predecessor was the Honourable Justice Ted Kane, and prior to him, the Honourable Justice Bruce Smith. Both have been referred to previously in these memoirs. The Committee consisted of six former Rhodes Scholars and a Chairman who was not a Rhodes man. The secretary, when I first assumed office, was a very able and fine member of the University of Alberta Faculty. The candidates were required to submit applications, giving their scholastic standing at high school and university, a letter of commendation by the President of the University they attended, written testimonials as to their scholastic attainments and potentials, their moral character, and their athletic ability and attainments, and also as to their activities in serving their fellow citizens. The candidate himself was required to write a short essay justifying his aspirations to be a scholar at Oxford and also giving some insight into his ambitions on graduation. The procedure which had always been followed was for a dinner the night prior to the formal hearing when the applicants and committee members would sit in alternate seats. No liquor was permitted as the law at that time prohibited the serving of liquor to individuals under twenty-one years of age. As a result I found the dinner embarrassingly stiff and formal and I also felt that I had not really had the opportunity for a meaningful chat with more than one or two of the applicants. Furthermore, it seemed to me that the applicants who sat next or close to a strong-minded member of the committee would reap an advantage over an applicant not so well placed in the seating arrangements. At the formal meeting of the committee the next day I expressed my reservations to my fellow members and found them all in agreement. I suggested that we invite the applicants to a reception at my apartment in Edmonton, and on alternate years, to my hotel suite in Calgary. I could see no objection to



serving a bottle of beer, or a glass of wine with light refreshments of sandwiches, cheese and fruit. This procedure worked wonderfully. The committee and candidates had discussions in ever-changing groups — we all met and often argued. The only problem was to close the discussions and get rid of the candidates, often in the early hours of the morning.

I am informed that this procedure is now being followed on most of the Canadian Committees. Certainly it had the advantage that when the candidates appeared before the committee the next day there seemed to be a bond of friendship on both sides and often, questions asked by committee members would arise from discussions which had been held the night before.

Another matter which concerned our committee was its restriction to male students. I had lectured to many fine women students at my university classes and the committee all felt that if Rhodes had been living today he would not have restricted the scholarship to male students. Accordingly, we wrote to the London Committee and suggested that a court order be obtained amending the Will. We received a rather peremptory reply. The Will could not be amended by the courts — only an Act of Parliament and of necessity by a Private Member's Bill, which almost invariably, were placed at the foot of the agenda. In short, there was no way in which the Will could be amended. Our committee was obstinate. Every year for at least five years we repeated our representations, then one year the United States passed an anti-discrimination act and the American Committee wrote to London to say that there would be no more Rhodes Scholars from the United States — they discriminated against the female sex. In one day, the Mother of Parliaments passed a Private Member's Bill amending the Rhodes Will to include women. There are hundreds of Rhodes Scholar graduates in the United States and they have assumed positions of leadership in many aspects of American life. In fact several Secretaries of State, including Dean Acheson, were Rhodes Scholars. So at our next meeting we had several female applicants. One was exceptional, a "standout" in any company, duly selected, and went on to a very successful career at Oxford.

I think our committee was the first, certainly among the first, to send a woman to Oxford as a Rhodes Scholar.

Rhodes' Will placed particular emphasis on training for leadership. In fact, he stated that preference should be given to those expecting to enter public life, because "It is through public activities that one can best serve one's fellow men." Most of our applicants were looking forward to an academic career — the practice of law, medicine or accountancy — or to research science, business or some other such endeavour. Often one of the committee members would read this section of the Rhodes Will and ask the candidate if he felt the discipline he was embracing would qualify him (and later her) for the type of leadership which Rhodes had in mind. The question was a bit of a curve and was usually answered hesitantly by the candidate, affirming that their chosen activity would not take all their time and that they would occupy their spare time in public activities. I found these answers unsatisfactory, but one candidate gave what I considered was the perfect answer. "Plato," he said, "would have made an excellent Rhodes Scholar. I have never heard that he ran for public office, or even took an interest in advancing anyone else's cause. He liked to think, to teach, and to write, yet he altered the course of civilization for many centuries and led by the sheer impact of a trained intellect."

I thoroughly enjoyed my association with these fine young people. Usually their answers to the questions asked by committee members were thoughtful and sincere. It is hardly to be expected that essays in which were detailed their interests — intellectual, athletic and cultural — as well as their aspirations for the future would be humble and dispassionate, but sometimes they overstepped the mark. In such circumstances one of the committee could be relied on to ask a particularly difficult question.

I am reminded that David Lewis, to become leader of the NDP, appeared before a committee of which Sir Edward Beatty, president of the C.P.R., was chairman. "What," Sir Edward asked, "is the first thing you would do if you were Prime Minister of Canada?"

"I would nationalize the CPR," replied Lewis. He was appointed and in due course graduated from Oxford. I liked Lewis, admired his honesty, and disagreed with his economic concepts.

# 5

## OIL, DRY GOODS AND LUMBER

IN THE SUMMER OF 1939 BESS AND I TOOK AN EXTENDED HOLIDAY in the British Isles. When I disembarked on return early in September I found a letter awaiting me from a lawyer in Toronto, Mauntland McIntosh, who represented a company known as Gold Standard Oils Limited, of which our firm had been auditor since its inception some five or six years previously. The company had been promoted and ostensibly managed by a man by the name of Cowle, who was the trainer of racing stables owned by William Wright of Wright, Hargreaves Ltd. and George McCullough, the publishers of the *Toronto Globe and Mail*. Cowle had believed that small oil companies did not succeed in competition with large national and international concerns because they were not fully integrated — that is to say, they did not produce the oil, refine the products, and then distribute. He felt that the large oil companies tended to squeeze the small operators by increasing or decreasing the price of crude at the wellhead, or the price of refined products at the door of the refinery. Whether he was wholly right in his opinion, and I think later developments have indicated that he was not, he nevertheless sold the idea to his friend and patron, William Wright, who invested several hundred thousands of dollars in acquiring wells and erecting a rather primitive and inefficient batch refinery to produce distillates, some lubricants, and asphaltic products. The company also erected several bulk stations for the purpose of selling their distillates to the farmers, and a fleet of trucks to supply the stations. Cowle,

himself, of course, was busy most of the year as trainer of the Wright and McCullough stables, but he came west for a month or six weeks in the summertime. The remainder of the time the company had dual management — a practical but unqualified engineer who operated the plant, and a bookkeeper who maintained and kept the books, collected the money, and generally looked after financial affairs.

The company had steadily lost money, and every year Cowie went back to his patron and asked for another cheque to cover the deficit and to keep the company solvent. By 1939 all the shares of the company were in the hands of the Wright interests, and in addition the company owed Mr. Wright many hundred thousands of dollars in the form of a book debt. Just before my arrival in Canada, Mr. Cowie had dropped dead, following the excitement, it is said, of, for the first time in his life, training a horse that had won the King's plate. When I interviewed Mr. McIntosh, who was a highly respected solicitor and a very delightful person, he offered me the position of president and general manager of the company, commenting that from audit reports I seemed to be the only one who knew anything about the company, and was in a position to operate it. I explained that I had a growing and active chartered accountancy practice, and that I would not feel like leaving it at that time to accept an executive appointment, particularly with a company which was almost defunct and had many problems. Mr. McIntosh replied that they were not asking me to leave my accountancy practice, but would be prepared to pay me a generous fee to act as president of the company, and generally give it leadership and good administration. I agreed to accept the appointment for a one-year term, stipulating it would be left to my judgment as to how much time I gave to its affairs, and that I would have a free hand in appointing the board of directors. I asked my friend Harry Parker, *z.c.*, whose name has appeared several times in these memoirs, to join me on the board, and he did.

On my return to Edmonton, I first of all put in some of our accountants to survey the operations of the company in every respect — production, marketing, personnel, finance, and production facilities. We found several areas which were obviously inefficient,

and several in which a change in policy would be desirable. For instance, it seemed to be foolish to maintain bulk station operations wholly devoted to the sale of distillates and low grade lubricants. We therefore expanded the activity of the stations by acquiring both ethyl and non-ethyl treated gasoline from a Calgary-based company. We found, too, that our acquisition of crude oil was not wholly from our own wells. As water seepage was a real problem in the Wainwright field, we arranged for a special but moderate research programme into the removal of water from the crude. Anticipating the success of this plan we acquired several new wells at bargain prices.

By instituting obvious economies, and with a generally more efficient production and sales organization, coupled with an increase in demand arising out of the outbreak of war, the company made some \$40,000 or \$50,000 the first year of my administration, and in August of 1940 I went down to see Mr McIntosh with a cheque for that amount. He was delighted, and suggested that I go to lunch and call in and see him that afternoon. When I met him again in the afternoon, he made a proposal to me. If I would continue as president of the company, still on a part-time basis, Mr Wright would place all the shares of the company in escrow. When the company had repaid the loan payable to him, all the shares would be transferred to us. In short, Mr Wright was prepared to give us the shares of the company if we would stay with the company and cause it to repay the loan. I accepted the deal, and went back to continue operations. We operated the company for four years, and in 1945 had arrived at the stage where we were on the last leg of paying off Mr Wright's loan, and expected that shortly the shares would be transferred to us.

About this time a man by the name of Lloyd Champion, after negotiations with the provincial government, had acquired leases on thousands of acres of bituminous tar sands in the McMurray area of northern Alberta. Furthermore, he had arranged with the Province that they would erect a pilot plant to develop the extraction of the oil from the sands. Champion had visions, too, of a pipe line to bring the separated crude to a refinery close to Edmonton, and he conceived the idea of acquiring the Gold Standard refinery for

that purpose. He made us an offer to acquire our rights under the escrow agreement, mainly in cash, but partly in debentures and shares of his company, Oil Sands Limited, which I accepted for what they were worth. So I sold, subject to Mr McIntosh's and, of course, Mr. Wright's approval. They did approve, and thus became the first capital gain of a substantial amount which my partners and I made. Incidentally, Oil Sands Limited is a substantial shareholder in the Great Canadian Oil Sands venture which is presently developing the McMurray sands, so that the shares of Oil Sands Ltd., which are held in my safety deposit box and by the estate of Winlow Hamilton, may ultimately be valuable. In fact the debentures are being redeemed at this time.

In 1946 my old friend and client, Swan Swanson, came to see me. He was, he said, in indifferent health. He knew that our firm had been working with a business broker by the name of R. O. Denman, acting for the E. P. Taylor interests, who had been acquiring various lumber companies in British Columbia with a view to forming what subsequently became B.C. Forest Products Limited. It occurred to him that he would be wise to sell out if he could obtain a reasonable price. Through Bill Anderson in Vancouver I invited Denman to Edmonton, we hired a small aircraft and flew over the standing timber resources of the company west of Edmonton, and after negotiations we arrived at a price which Denman was prepared to recommend to his principals. It was suggested that I should travel to Vancouver with Denman to meet Wallace McCutcheon (subsequently Senator McCutcheon), E. P. Taylor's associate. We were received cordially by Mr McCutcheon and negotiations were proceeding, but when we called the following morning McCutcheon informed us that he had just received a telephone call from E. P. Taylor in New York. Several other deals, he said, were under consideration at that time, and Mr Taylor and he had decided that they would proceed no further with the proposal to acquire Swanson's. I was sorry to report my failure to Swanson. Although he possessed the stoicism of the Swede, he was obviously keenly disappointed.

That night I did some thinking. Why couldn't I get a group together in Edmonton with support at the bank, and acquire the

business ourselves? I got in touch with Swanson and suggested a plan — one which would give him a price considerably in excess of that discussed with the Taylor interests, but which would require terms for two-thirds of the cost. Swanson expressed interest, and then concurrence. I went to see Ray Milner, the late Clarence Jacob, and one or two other close friends, and put the proposal up to them. They agreed that if I could work it out with the bank they would join me. The proposed financing was complicated and intricate. A new company was formed which issued a first mortgage bond issue to the bank, supported by a general charge on all of the assets of the company, and an assignment of inventories and accounts receivable. A portion of the proceeds of this issue was paid to Swanson as part of the down payment. Swanson also received a second mortgage bond issue for the balance of the purchase price. Our syndicate obtained an issue of debentures for the remainder of the down payment paid to Swanson.

Since at that time we knew very little about the lumber business, we arranged with Swan Swanson and his son Bob that they would operate the company for a salary and a share of profits. They worked smoothly with our firm which was able to assist materially in financial planning and management. Admittedly, we were lucky. An expected post-war slump in the lumber market did not develop. On the contrary, it happened that in that year a demand for rough lumber opened up in Australia, and the company earned a lot of money. In less than two years, the first mortgage bonds were paid off, we had got all our money back, and had made substantial payments to Swansons on the balance of the purchase price.

About 1948 Hales Ross, another old friend and client, approached me with the news that Timber Preservers Limited in Vancouver was for sale. He had known Archie Leach, the founder and president who had just died, and was a great friend of the widow. It seemed to us that it would be advisable to have a lumber treating company on the west coast, particularly as Timber Preservers owned a subsidiary known as Royal City Sawmills Limited, which operated a cedar mill producing about 15,000,000 B F M. a year. We therefore authorized Hales on behalf of Swansons to make an offer, which was accepted, for some 90% of the shares of

the company, held by the Leach estate. Since that time we have continued to operate both Swanson Lumber and its subsidiaries.\*

In a few years' time Swanson's health had been restored to the point where he wanted to go back into business, particularly as his son Bob was showing aptitudes in that respect. Accordingly we paid off the balance of the purchase price to him by turning over two or three of Swanson's mills.

The Swanson organization, in spite of some bad years, has prospered. My partner Alex Hamilton took over the general management of the company and became a first class operator. Production increased from about 25,000,000 feet when we acquired it, to about 140,000,000 feet in 1960. In fact, it is one of the largest western white spruce producers in Canada. New mills have been erected and standing timber resources extended to the point where it is now on a sustained yield basis.

This has not been done without imagination and skill on Alex's part. Indeed, for several years it has seemed to me that we have either acquired a new affiliate or entered into new areas of activity almost every year. Subsidiary companies have been acquired which operate in the area south of Prince George, mills in the Fort St. John area, a mill in Wood Buffalo Park at the confluence of the Peace and Athabasca on the border of Alberta and the Northwest Territories, a subsidiary to operate in the McMurray area. Even as I write we have just bought a new subsidiary to augment the production of our Chisholm mill. Swanson's has been forced to adapt itself to changing needs and changing circumstances, and it may well be that in the next few years it will be encouraged to enter other aspects of the lumber industry, such as pulp or plywood.

In due course my son Bill became the President of Timber Preservers Limited, and particularly in the last two years it has had a

\* In February 1969 we sold out the Swanson Lumber Co. Ltd. and its subsidiary, TFL Industries Ltd., to Koppers Inc. of United States. There were several influences determining our decision to sell. The necessity we thought of investing additional capital to get into new products such as plywood, chips or even pulp. We had enjoyed a particularly buoyant period in the lumber industry and we might well be facing lower demand and falling prices, which groups with greater resources could weather to better advantage; there would, too, we felt be opportunities for investment in other enterprises which might give greater opportunities and be less speculative.



very successful record. We extended the type of timber treating to include salt and penta and other methods, in addition to chromating. We also went into the laminating business, and acquired plants in Edmonton and Louiseville, Quebec. In retrospect it is interesting to observe the changed nature of our operations in Timber Preservers. When we took it over it was almost wholly concerned in butt treating poles and pressure treating lumber. Now the majority of its profits come from other sources, such as laminating, penta and salt treatments, and it in turn has subsidiaries which operate plants throughout Canada. In 1967, as a centennial project, TPL Industries Ltd. erected four new helical culvert plants in British Columbia, Alberta, Ontario, and Quebec.

Over the years, too, we have bought out most of our associates in Swansons and its subsidiaries — Ray Milner, Clarence Jacob, in fact the only outside shareholder is an old friend, Judge Bruce Whittaker, who for many years was a partner of Bruce, now The Honourable Mr. Justice Bruce Smith.

1946 was an exciting year in another respect. My father was the general manager of Brock Company (Western) Limited in Calgary, a wholesale distributor of dry goods, textiles, floor coverings and furniture. It was a very old established concern, and in fact boasted in its Second Street West and Eighth Avenue building of the first elevator ever installed in the Province of Alberta. It was owned by the R. A. Brock interests in the east, who controlled the W. R. Brock Company Limited of Toronto and Montreal. During the 1930's the Brock Company (Western) Limited encountered severe losses and failed to meet its dividend on first preferred shares. My father had been appointed President on a policy of strict economy and careful merchandising, and had succeeded in rehabilitating the company to the point where its dividends were no longer in arrears. In addition to the first preferred shares outstanding in the hands of the public, a second issue of preferred shares was held by R. A. Brock, who also owned the building and the majority of the common shares. As I discussed the company's affairs with my father, two things particularly disturbed me. One was that he was a man in his seventies, and no provision had been made for pensions for himself or any of his key men. My father had some modest savings,



*Author's portrait of his mother, the late Anne Jane Winspear*



*Author's portrait of his father, the late W. W. Winspear*

but they were quite inadequate to maintain him and my mother in comfort. Furthermore, his salary had continued as an aftermath of the retrenchment policy of the 30's, at a very low figure. I also felt that there were certain weaknesses in the financial structure of the company, and particularly that its affairs had not been organized to best advantage from a tax aspect. One day I said to my father, "Do you think that Mr. Brock would be interested in selling this company to me and my partners?" He shook his head dismally, and said, "No, I don't. It is too good a thing." I was not convinced Mr. Brock, or in fact any other officer of the eastern company, had not been in Alberta for many years. They were a long way away, and were wholly dependent upon my father, an aging man, for judgment and decisions. Moreover, Mr. Brock was even older than my father, and was probably considering the desirability of getting his estate in liquid form. I said to my father, "Do you mind if I try?" He said, "Of course not, but I don't think you will get anywhere."

The next time I went east I called in at the bank and told the Head Office of my thinking. They assured me that if I wanted to go ahead that they would be prepared to advance me the money (Such success as I have attained has been largely based on the confidence which my bank has shown in me.) I went on down to Montreal and saw Mr. Brock. I named a figure that I was prepared to pay for the warehouse, offered him par value for the second preferred shares, and "across the counter market" for the unlisted common. I also told him frankly that I was not satisfied with the tax structure of the company, and I was hopeful that if I bought the company we would be able to get a refund under the Excess Profits Tax Act. Mr. Brock quite properly called in his auditors, McDonald, Currie & Company, who went into the figures. The next day he made a counter proposal which accepted my valuation of the land and buildings and my proposal with respect to second preferred shares, but increased the price of the common shares to about double what I had proposed. I asked for an opportunity of discussing the matter with the bank during the lunch hour. Mr. Carson, the President of the Bank, to whom I talked, said that if I issued a cheque it would be honoured, and advised me to close. I

went in and closed the deal that afternoon, phoning my Dad that night to tell him that we now owned the company.

The relationship which I had with my father during the next few years was delightful, and I would wish that any son could have the same experience. I admired him as a merchandiser and as a detail manager. He, in turn, I think admired the financial imagination which we seemed to be able to develop in our firm.

On returning to Calgary we called a meeting of directors and told them that we owned both the land and buildings and second preferred shares, and a majority of the common shares of the company. A proposal was made that the land and buildings be sold to the company at an appraised value. Accordingly the directors were asked to name an independent appraiser who placed a value on the land and buildings. The sale of the property to the company for this figure was sufficient to reimburse me and my partners for our outlay for preferred and common shares. Within a month we had acquired a valuable company without any cost to us.

We went after the tax situation with vigour and employed Heward Stikeman, q.c., to represent the company in an application to the board of review under the Excess Profits Tax Act. We recovered a substantial amount of money, so much so that at the end of our first year's operations, with the profits we made and the refund we had obtained, the working capital position of the company was stronger than it had been at the beginning of the year. *Finance is fun!* The company now owned its land and buildings free of encumbrance, and had an improved working capital position. We had obtained control of the company without any actual investment. On the other hand, Mr. Brock had received a substantial sum for an investment which he had regarded as precarious a short time previously, and had been able to stabilize his estate affairs.

I digress here to mention that the division of the shares in the Brock Co. (Western) Ltd. constituted a minor, if not significant, partnership problem. When the Gold Standard Oils gain had been made Winslow Hamilton was my only partner. Whereas the opportunity had been offered to me personally, it did not vary materially, in my opinion, from other sources of income which accrue to one

member of a partnership. Consequently Winslow was paid his share of the capital gain. Swansons, too, was a client of the partnership, and we entered the deal on a joint basis. The Brock transaction was somewhat different. Brock's was not a client of the firm, the opportunity had come through my father rather than through professional connections, and Winslow earnestly argued that the shares and gains should enure to my father and me, and that my firm partners should not participate. I felt that the transaction could not have been completed without professional knowledge, experience and connections, which in a partnership belongs to all of us. On the other hand I recognized a responsibility to my father. After discussion with my partners, a block of second preferred shares was allotted to my father or his nominees, which included my brother and sisters and an uncle in Africa. A substantial block of common shares was also transferred to my father. Furthermore, we increased the salaries of my father and his key men, and arranged a lifetime pension for him and a contributory pension for the staff, coupled with a generous profit-sharing plan for departmental heads. As a result my father was able to live comfortably for the rest of his life, and to leave a substantial estate to charity and his heirs. My partners, too, made substantial gains, were able to buy their houses and get tidy sums of money for private investment, a difficult thing to do out of income during periods of high income taxation.

In retrospect, whereas I think that we adopted the right procedure, there were certain problems which we did not anticipate, which in fact it might have been impossible to foresee. First, should a partner's shareholdings in our companies change as his ratio of profits in our firm partnership increased? I thought not, but this view was not, I think, always reciprocated. Secondly, our ventures sometimes required the investment of substantial sums. Younger partners with growing families felt sometimes that they were not justified in taking the risk, but were disappointed or chagrined when their more venturesome partners made substantial sums. Finally, when should an opportunity be regarded as a firm venture, and when should it be regarded as a normal or private portfolio investment? On the whole, I think that these problems were composed satisfactorily, and our older partners rapidly attained

substantial worth. Generally, too, they seemed to appreciate the opportunities which had been given to them, and reciprocated by bringing venture opportunities to all of us as a group. There were some rather surprising exceptions, of course, but this is to be expected in an expanding group of men "C'est la vie."

Returning to the history of the Brock transaction. For two or three years we operated very profitably, then my father's doctor informed me he felt that my father had reached the age when he ought to retire. His successors were not as successful merchandisers, and we found profits declining and excessive investments in inventories and accounts receivable. About that time Robinson Little approached us through a firm of investment dealers in Winnipeg with a proposal to buy us out. Since the first preferred shares had been redeemed, the deal involved only the second preferred shares and the common. We sold the company to Robinson-Little for somewhat less than book value, which however was many times the price we had paid.

In retrospect, the Brock transaction is one which might be severely criticized by socialistic thinkers, particularly of the younger generation. A group of financiers had taken an exorbitant profit, without making any corresponding contribution to the welfare of their fellow citizens. In particular, in imagination I can hear the arguments that:

a) An inadequate price for the assets had been paid to the eastern interests,

or

b) The resulting profits should enure wholly to the employees who had built the company,

or

c) An excessive price had been realized on the sale of the company.

The gains or levies on the national product which should accrue to particular segments of society possessing specific specialized skills, is an interesting social problem. Why should a skilled financier take a heavier toll than a skilled physician, or a university professor, or a civil servant? Is it true that some skills are compensated more adequately than others? Yes, I think so, and regard myself as for-

fortunate in having chosen a vocation which seems to pay a particularly high premium on imagination and daring. With respect to this transaction, as in others, my conscience is clear because:

- a) We paid the Brock interests what they asked. In fact they had been paid a favourable return on their investment for many years, without any effort whatsoever on their part, and had finally liquidated at a figure several times in excess of their original investment.
- b) The employees all made at least twice as much money under our management as formerly. They were very well satisfied.
- c) Minority shareholders received twenty to thirty times the amount they had expected to receive for their shares.
- d) The American purchasers paid less than the realizable value of the assets at the time we sold. We had come to the conclusion that the apex of the circle in textile distribution had been reached - they thought otherwise. We turned out to be right. Such is life!

Our acquisition of the Birks Building, Edmonton, in 1947 was rather an amusing incident. We had recommended to one of our clients, a medical clinic, that they should acquire the building because it provided several different services for medical and dental offices, varying types of power, vacuum, air pressure, and so on. We had been informed by the Head Office of Birks (we audited the Edmonton Branch) that they found some conflict in their relationship with tenants who were also customers of the jewelry store. They were prepared to sell the building, they said, at book value. It was then only a few years old. Accordingly, I submitted an offer to Birks on behalf of the Clinic, but having submitted it the doctors began to temporize and regret what they regarded as their impetuosity. I talked the matter over with Ray Milner, and we formed a small syndicate composed of my partner Winslow Hamilton and me, and Ray Milner and his partner George Steer. I can well recall being in Montreal early in the year and getting a wire from Ray Milner saying that Ledue No. 1 had just come in, there would be a movement of oil companies to Edmonton, that office space would be at a premium, and he thought I should close the deal. Accordingly, I did close that afternoon, and Ray came down east to sign



it with me. Afterwards Henry Birks took us to lunch, and we ate a vast quantity of oysters in the St. James Club. The price of the building was moderate, and the down payment was low, but the only fly in the ointment was that we were faced with rent control following the end of the war. In the course of two years, however, we did make sufficient profits to pay off the bank loan, and consequently our equity was obtained at that point without cost. Our leases, too, provided for a percentage of sales on the ground floor stores, in excess of a basic minimum. This increased our profits. We operated the building for six years, and then sold it at a substantial capital gain.

# 6

## "LET'S GET DOWN TO THE TABLE TOP"

IN 1947, TOO, WE ENCOUNTERED ANOTHER INTERESTING SITUATION. I was in Ottawa when I received a telephone call from Joe Weldon, a partner of W. C. Pitfield & Co. Ltd. He told me that Pitfields had lately underwritten an issue of shares in an Edmonton company known as Northwest Industries Limited. Northwest owned two large hangars with over 200,000 square feet of space, and other miscellaneous buildings. The company had got into trouble, although its predecessor had been very successful during the war operating as a repair plant for Air Force planes on a cost-plus basis. At Joe's request I came back immediately to advise him on the situation. Ray Milner, who happened to be an old friend of Weldon's was also called in, and we had several long discussions as to what might be done. Finally, Pitfields proposed that they would acquire shares of the company from their customers, and give them to Ray and me and such other people as we wished to have associated with us, for nothing, if we would provide working capital and management. This has always seemed to me to be a fair-minded attitude for a firm of investment dealers to take. They had underwritten and sold the shares in good faith, but now found that the condition of the company was not as they represented it to their clients. In the result, they moved to make amends. Ray and I accepted the deal, and then arranged to have R. M. Montague, a successful automobile dealer, join our group, and gave him a block of shares, he was not interested in a salary so much as a capital gain.

We also persuaded Clarence Jacob, Edward Nanton of Winnipeg, and Joe Weldon to join the board of directors. I was appointed president and Winslow Hamilton treasurer.

Said the Swede, "How can you jump when you have no place to stand?" That was the precise feeling of frustration that Murray Montague, Winslow Hamilton and I harboured when we met to discuss our programme and prospects. There was no doubt that the company was losing money heavily each month. The bank and other creditors could not be expected to support us unless realistic measures were instituted. We had a payroll to meet for several hundred people (to the best of my recollection). We had, by the terms of our acquisition, been relieved of a management contract with the retiring president, but we had a galaxy of superintendents, engineers, foremen, financial and cost accountants, test pilots, salesmen, and no way of judging their individual capacities or efficiency. Morale was at a low level — everybody blamed everyone else for the sad state of the company's affairs. The Bellanca plane was being manufactured in competition with the Norseman (built by Canadian Car & Foundries of Montreal). It was difficult to evaluate our market potential, our production efficiency, our competitive capabilities. The use of plywood boats, ostensibly being manufactured for use in northern waters, was equally mystifying. We were unable to find any scientific market analysis, were not sure of our exact costs, or even cost potentials, there had been disturbing rumours of disintegration of the craft under certain conditions. We were not sure of our product.

"Let's get down to the table top," said Murray Montague. He was an excellent executive. This somewhat wry expression was descriptive of his attitude. Let's face facts, no matter how unpalatable. Let's know exactly what we are doing. We came to a decision. First we would close the plant down completely — lay everybody off. Since Murray and Winslow and I were not drawing salaries this would make an immediate and significant reduction in overhead costs. Crippling losses would be substantially reduced. We would also endeavour to rent one of the hangars and sell one of the warehouses. Then, we would emphasize aircraft overhaul and reconditioning, taking on men as we acquired specific orders, being careful

to keep costs within the quoted or projected selling price. From there, we would proceed carefully to find new products to manufacture, new markets to explore. Next day Murray called up to describe the ghostly feeling of existing by himself in a massive plant, hundreds of thousands of square feet, silent machines, typewriters, unused furniture. "And all the world a solemn stillness holds." Calm reverberated.

In the meantime Winslow and I called on the larger local creditors. We explained our plans. By curtailing operations, eliminating executive salaries, realizing on accounts receivable and inventories, and rebuilding on a firm foundation, we hoped to be able to pay cash for current purchases, and to pay off existing accounts in monthly installments. We assured them that no preferences would be shown, that payments would be made on a *pro rata* basis. The alternative was an immediate and devastating receivership. Inventories would be sacrificed and the creditors' main hopes would rest on an equity in a whole elephant of a plant, erected for a special purpose, subject to a prior charge by the Dominion Government not easily sold or leased. The creditors saw the force of our argument, they bought our plan and gave the company extended terms on existing liabilities. I like to think that they were influenced somewhat by local patriotism. Northwest was a large employer of labour in Edmonton, and the City boasted of its activity in aviation, the gateway to the North. Certainly, this attitude influenced the city commissioners, who were very helpful and co-operative. Constitutionally, they could not abate or rebate property taxes, but they did show forbearance until we could "turn the company around." Later, when we negotiated with the machinists' union, we enjoyed a similar attitude of helpfulness and understanding. In due course we were able to boast that our wage rates were as high as in other similar plants in Canada, but in the first two years the Union accepted the proposition that we had a common problem of saving the company.

But now Murray Montague was all by himself in a massive plant. Our next problem was to obtain work. The largest operator of aircraft in Canada was the Dominion Government — Air Force training, transport, defence manoeuvres. We enlisted the services of

Colonel H. A. (Sandy) Dyde, who had been the Honourable Mr. Ralston's executive assistant during the War, but was then practising law with the Milner firm. Sandy and I went to Ottawa and settled down for several weeks. We were smoked at by the redoubtable C. D. Howe, who asked us quizzically what made us think that we could repair Air Force planes "at costs" comparable with the large Eastern plants. We did not, he pointed out, have the advantages of association of industry, available engineers, technicians and skilled mechanics, nor did we have a supply of components and parts in our immediate vicinity. It took several interviews with Mr. Howe to convince him that we were deadly serious, that we recognized our problems, but felt we had corresponding advantages. First, we had low overhead, no executive salaries. Secondly, we were close to the area in which Air Force training would be taking place. Then, the Canadian north would tend to see an ever increasing use of aircraft. A well run aircraft overhaul plant in Edmonton would be an asset to Canada.

For weeks we made the dreary rounds of interviews - deputy ministers, assistant deputy ministers, executive assistants, directors, armed services officers - we waited hours in ante-rooms - secretaries recognized our voices on the telephone. Invariably, we were received with courtesy, but sometimes our aspirations were encouraged, often discouraged - frequently the information we received in one department in the morning, was contradicted by another authority in the afternoon. It was exciting, discouraging, inspiring, and very tiring. Through it all Sandy Dyde maintained his good humour, counselled wisely, insisted that I curb my impatience and my natural petulance. The Honourable James A. MacKinnon, a stalwart Edmontonian and Minister of Trade and Commerce was a haven of refuge and encouragement.

Then, one day we received a ray of hope - a word of encouragement. The director of aviation in the Department of Defence Production told us that it had been decided to give us an opportunity of quoting on the maintenance of DC 3 aircraft and small training planes from western bases. Unfortunately, however, there were no planes requiring overhaul at the time - the usual periodic overhauls had been completed - there had been no recent crashes. We

pleaded with him to look again. Surely somewhere in western Canada there must be planes requiring our attention. When we called on him next day he met us with a cheerful grin. The impossible had occurred! He had found two DC 3's in southern Alberta in need of the usual periodic overhaul—they would be in our plant tomorrow. We raced breathlessly back to the hotel to telephone the good news to Murray Montague. Glory be! Take on men, dust off the machines—we're in business.

The sequel was described on my return. By that time the company had one paid employee. Murray had taken on a bookkeeper. On receipt of my telephone call Murray had bounded from his chair and over to the bookkeeper's desk shouting the good news. Our number one servant looked at him lugubriously and opened the bottom drawer of his desk. "Here," he said, "are about thirty thousand dollars' worth of accounts payable I have just found. They were tucked away in the drawer."

Nevertheless we were in business, and by the time I returned to Edmonton we had a plant superintendent, a work force, and a stenographer. One of our hangars had been rented to a machine manufacturer, and one of the warehouse buildings had been sold. Murray's admirable management soon earned the company a reputation for reliable work and low costs. We were able to attract orders for repairing and conditioning large executive planes, and undertook periodic overhauls for secondary airlines. Furthermore, excess plant space was being utilized by manufacturing other products, the Huber Scraper widely used in the oil fields, industrial trailers for geodetic surveys, "low boy" and "high boy" trailers to haul merchandise. Shortly, too, we received our first really constructive aircraft order. The Royal Canadian Air Force instructed us to convert a number of DC 3's for radio training purposes. It was necessary to build a "mock up" or prototype, and required skilled aeronautical designing and engineering. When the valuable order was completed we received not only the congratulations of our own Department of Defence, but several visits from American air force "bros".

At the end of a year Murray Montague had felt, quite rightly, that he had done his job, and we persuaded Barclay Pitfield, a

young engineer in Ray Milner's gas company, to accept the position of Vice-President and General Manager. We also attracted Reg Whittaker, a chartered accountant, who had graduated from my accounting course at the University, as Controller. They were both excellent appointments. Barclay, smoothly and unhurriedly, developed an efficient organization. Materials handling, stores, engineering, research, sales. Barclay was a perfectionist—he demanded and received the best. Amongst other innovations he allayed one of C. D. Howe's fears by instituting schools to train sheet metal workmen and other technicians. Both Barclay and Reg were fine representatives of the company, and they rapidly captured the confidence of Ottawa as well as other customers.

By this time, too, several more Edmontonians had joined our board of directors: Percy Page, who subsequently became Lieutenant-Governor of Alberta, Dennis Yorath, Vic MacCosham, Frank Newson. The meetings over which I presided, executive or directorate, sparkled with enthusiasm and ideas. In the first year we were able to report a small profit to the annual meeting of the shareholders. Even more, by completing and selling the Bellanca planes, reducing excess inventories and accounts receivable, and carefully budgeting our resources we had been able to pay off the local creditors. Accounts owing to large suppliers of components and to the Bellanca Corporation were subject to written agreements and correspondence, which were usually vague and sometimes incomprehensible. The resulting negotiations were often wearying, but sometimes amusing. In some instances, on the advice of our lawyers we came to what seemed a fair and reasonable figure for the amount owing, and undertook to pay the money into court with an invitation to the creditors to sue. None of them accepted the invitation, and we made reasonably satisfactory settlements. So we were able to inform our shareholders at the end of our first year of management, that our liabilities were reasonably current, that we had an established line of credit at the bank, and that financial problems were no longer menacing.

When hostilities opened in Korea the Department of Defence Production asked us to extend our facilities. Our second hangar, which I have said had been rented to a machinery establishment,

had reverted to us. This manufacturer, an inventive genius I believe, had expanded his operations too rapidly and found himself in difficulties with the Industrial Development Bank, other creditors, and our company for rent. Northwest had taken over his operations, with modest success. The expansion of aircraft operations and the closing of the machine shop seemed to be prudent business, and a patriotic necessity. We complied. Furthermore, Ottawa had pointed out that no western facilities existed for the servicing of precision instruments and electronic devices. At the cost of three quarters of a million dollars we erected a special building, air-conditioned, dustless, and with controlled humidity to perform these functions, it was the most efficient plant of its kind in Canada, we boasted. On the south side of the Edmonton Airport we rented a hanger, and installed a staff to specialize in the overhaul and servicing of commercial aircraft. One of our most dramatic successes was the overhaul of a C 43 which had crash-landed on Prince of Wales Island, deep in the Arctic Circle. The problem was one of moderate temperatures in which our repair crew could work comfortably and efficiently. Barclay considered covering the craft with a polythene tent, of flying in lumber or canvas and heating equipment, but we finally resolved the problem by flying in a group of Eskimos who built a massive igloo to enfold the stricken plane.

At one time we had a field service crew of over fifty men. Our total work force rose to nearly two thousand men.

Barclay Pitfield was a delight. One morning a week was sacred to a conference, when he appeared at my office and discussed his problems — problems of organization and policy. We bounded ahead! A dividend was instituted — fifty cents a share — 5% to the original shareholders. We found ourselves with a substantial investment portfolio. We began to think in terms of expansion — new enterprises to buy, new fields to conquer. Once a week, at least, I lunched in the executive dining room at the plant. I liked to talk informally with superintendents, salesmen, engineers, inventors. One day as I passed the gateman, recognized his salute, and parked at the special spot which had been reserved for me, I overheard one workman say to another, "That Winspear must be a stingy bastard — he only drives a Plymouth." Compared with the Cadillacs and Packards



which were parked in the workmen's lot, his comment was understandable. We never made a fetish of chauffeur-driven cars and palatial offices. Some of the visiting dignitaries were, I think, surprised when Barclay or I met them in our modest cars — it contrasted with the treatment they received at Eastern plants — but they liked our Western hospitality.

So, we were thinking in terms of expansion. We investigated electronic plants in the east, an aircraft distributor in Calgary, a manufacturer of light planes in England, finally we decided to acquire a Class B airline on the Pacific Coast — B.C. Airlines Limited. Conflict in the management, and, I think, questionable administration generally, had brought the company to dire straits, with heavy operating losses and massive liabilities. The acquisition was complicated by a lawsuit in which we alleged a conspiracy to defraud us and demanded the return of a De Havilland Beaver aircraft. We were successful, largely owing to my old friend, G. H. Steer, Q.C., and we commenced operations. Bill Anderson was appointed president, Barclay Pitfield executive vice-president, Gordon Best was transferred from Edmonton as general manager. I became chairman of the board. Here, too, we made early mistakes, but we soon succeeded in reversing the operating trend, and today B.C. Airlines is a compact, well run, profitable operation.

In 1960 I was approached by Canadian Aviation Electronics Ltd. to sell Northwest Industries. Ray Milner and I went into a huddle. Jet aircraft had changed the picture, there would be fewer planes in operation, more sophisticated service would be needed at larger centres. My friend Barclay Pitfield was in indifferent health. CAE Industries Ltd. is a Canadian-owned company. We decided to sell. Shareholders received \$22.50 for each \$10 they had invested, liabilities even to the Dominion Government had been liquidated, an important industry had been saved for Edmonton. We could live with ourselves, we had no apologies to make.

CAE Industries Ltd. has provided excellent management, Northwest Industries still prospers, and is a valuable division of that company. I accepted a position on the directorate of CAE Industries Ltd., and served until the summer of 1968.

# 7

## "DON'T SWEEP THE DIRT UNDER THE RUG"

CONTEMPORANEOUSLY WITH OUR MANAGEMENT OF NORTHWEST Industries the Milner group joined with ours in a transaction, bizarre in its early stages, but ultimately profitable. Alberta Oxygen & Acetylene Co. Ltd. had been promoted by a former sales manager of a large international operator in the same business. The promoter held one-third of the shares and managed the company. Lon Cavanaugh of Calgary (to whom I have referred in Chapter 2), his associate, Colin McKenzie, and Adrian Bowman of Saskatoon held two-thirds of the shares. Severe differences of opinion had developed between the Cavanaugh group and the manager-promoter — the company was losing money heavily, and its financial position was involved. By this time Ray had a touching confidence in our capacity to handle difficult situations, and we, in the light of past experience, were probably excessively confident. Lon Cavanaugh and his associates warned us that we were stepping unto a hornet's nest, but expressed their willingness to sell at a reasonable figure. Our accounting investigation and market projections convinced us that the idea was a good one — there was a place in Edmonton for a small oxygen and acetylene plant. Once again, I was made president, and Winslow treasurer, and Ray Milner joined the board.

Almost immediately conflicts developed. What we regarded as incredibly excessive costs, our manager regarded as normal. What we regarded as wasteful procedures, he was equally sure were vitally necessary. Travelling expenses, entertainment, stenographic and office clerks, plant supervision, we could agree on nothing. He pos-

essed a dynamic personality, spoke in rapid fire, staccato tones, in a very loud voice, I began to wonder if he even heard my directions and arguments, let alone heeding them. There were also, in my opinion, indications that our man was a "one shot" salesman, who never fully captured the confidence of his customers or employees. We failed to stop the losses — only minor progress was being made. As Murray Montague would have expressed it "we never got down to the table top".

We came to a decision, and I went to see Ray Milner. The company would never succeed under this management. We should offer our manager the option of either buying our shares, or selling his at a stated price. In the event of his accepting the second alternative he must resign from office with appropriate severance pay. Ray concurred. Several harrowing interviews ensued. He would not buy, would not sell, would not resign. Ray saw him in private. No progress was made. He was adamant. So we duly called a shareholders' and a directors' meeting, discharged him as general manager with a suitable monetary allowance, and wrote him a private letter offering to buy his shares at a price to be fixed by independent arbitration. In the meantime I approached a young engineer on the Faculty of Engineering at the University, Lorne McDougall, and offered him the post of general manager. He accepted.

When Lorne arrived to take over his office the following day he was confronted by an unexpected development. Our erstwhile associate had already arrived, was seated at his desk, had declined to accept the notice of dismissal, refused to accept the authority of the board, and ordered Lorne off the premises. Said Lorne on the telephone, "Shall I throw the bastard out, or what shall I do?" I counselled caution and restraint. We would consult our lawyers. In the meantime Lorne's salary would be paid by the Milner group and us.

Then we all received a statement of claim. It was alleged that our groups were not really shareholders, but had acquired shares as agents for the promoter. Our control of the company was a conspiracy involving Ray Milner, Lon Cavanaugh, McKennie, Winlow Hamilton, Bowman and me. We were really not directors for we were not qualified, and in any event the minutes had been faked by Ronald Martland (the most ethical of men and now a justice of

the Supreme Court of Canada), and we held no offices in the company! To us it was more than a bit mystifying as to how the plaintiff had convinced himself that we had made these advances to a total stranger without provision for repayment, and without interest or other compensation. But enormity piled on enormity! The plaintiff applied for and succeeded in obtaining an injunction stopping us from removing him from management until the action had been heard. For nearly a year we watched helplessly whilst losses continued, and, we thought, ducks and drakes were being played with the company we controlled.

Finally, the action was heard by The Honourable Mr. Justice G. B. O'Connor, then Chief Justice of Alberta. The plaintiff had his day in court, but his many inconsistencies showed up under cross-examination. One by one we all went on the stand and corrected his version of events. Milner, Martland, Cavanaugh, McKenzie, Winslow Hamilton, Alex Hamilton, Bowman, and I. We instructed our counsel, Bruce Smith (referred to in Chapter 2) to inform the court that we were not petitioning for costs. Judgment was handed down from the Bench in our favour. We were in the driver's seat.

Next morning I arrived at my office with the comfortable feeling that Lorne McDougall would be on the job — we could fight to save our company. But shortly Lorne's voice was on the telephone. "Do you know," he said, "that we have not been filling the gas cylinders to capacity?" "Oh," I replied, "what is the idea of that?" Said Lorne, "The men say that the previous manager told them it is a custom of the trade." Thus I doubted, but in any event my response was immediate and unequivocal. The cylinders must be filled to capacity. *Caveat emptor* — let the buyer beware — may be a legal maxim, but surely the buyer should have an opportunity to be wary. How could a country garage mechanic, or a hospital surgeon, possibly check the contents of a container of gas? We would not make money that way.

Lorne readily concurred, but pointed out that the company was already losing money, and that by filling the containers would mean increasing the losses a significant percentage of sales. Actually, however, our operating losses did not increase, they decreased. This

business was an excellent example of the economic concept of marginal costs, a high ratio of fixed expenses. The costs of operating the plant at 40% of capacity were almost as high as the outlays involved in operating at 100% of capacity. The solution, therefore, was to increase production by obtaining new customers. Determined but steady work enabled Lorne to increase the turnover a few percentages each month. Careful calculations encouraged us to increase output even by reducing selling prices (not a new concept, Henry Ford had decreased selling prices for the same reason many years previously). At the same time Lorne sharply reduced expenses, particularly distribution costs, by getting Northwest Industries to build him specially constructed truck bodies to hold containers in such a way that they could be speedily loaded and unloaded by one man. In addition he reduced clerical and administrative costs in the female staff by emphasizing efficiency rather than pulchritude. As overall expenses were curtailed the percentage of capacity at which the plant necessarily operated to attain a "break even" point was correspondingly reduced. In a few months the corner was turned — red figures were changed to black. In the first year of operations under our new manager we were able to report a small profit. The profits increased steadily in the next three years.

One day I got a call from the manager of the local Treasury Branch. The branch had made a loan to our former manager, secured by the hypothecation of his shares in Alberta Oxygen. The loan was in default as to both interest and principal, no replies had been received to letters, and the whereabouts of their debtor was unknown. Would we acquire the shares? I named a price considerably lower than the original proposal we had made. It was accepted, and the transaction was completed the next day. Our group and Milner's now owned all the outstanding shares.

After four years' operations we were approached by, and sold the company to a large international operator. We had more than doubled our money. We were content.

In 1949 we acquired Gorman's Limited, an old established machinery and building supply distributor. Charlie Garnett, an old friend and client, wished to consolidate his estate, and with the assistance of Heward Sukeman of Montreal, whom we included in

the group, we developed what was subsequently referred to as a "surplus stripping" operation. That is to say, through a holding company we got our investment out immediately by a reduction of excess working capital. Charlie Garnett stayed on as general manager of the company for several years, and served us both skilfully and loyally. Shortly after he retired we sold the company to its present owner.

One of our most interesting and at the same time profitable business transactions, was the development of Premier Steel, the first basic steel plant in Alberta. I was approached with respect to that project by Ken Dalglish, a Montreal financier with United North Atlantic Securities Ltd., who introduced me to Gerald Heffernan, a metallurgical engineer, and Francis Bartholomew, an electrical engineer. I was appointed president, and Winlaw Hamilton treasurer of the company, and we made an investment in the debentures, with which we received a bonus of common stock. I also suggested to our bank that they take up some debentures, and they did so in the amount of about four times what we had invested. The balance of capital costs of about a million dollars was invested by English and American associates of UNAS, by Heffernan, Bartholomew and other associates, and by the underwriting of a public issue by the W. C. Pitfield organization. Gerald Heffernan turned out to be an extremely able operator — imaginative, efficient, and with a capacity to inspire loyalty. The first year's operations were very successful, in fact we attained tonnage production planned for five years in the future, and reported a handsome profit. We were encouraged to order and install a second electric furnace, raising the money by a further issue of shares, giving existing shareholders the first opportunity to subscribe.

About the middle of the second year, however, an industrial price war broke out. Why industrial wars occur is a difficult question to answer. It's a bit like domestic quarrels, neighbourhood spats, or international tensions. Nerves? Unfounded, unjustifiable rumours? Malicious busybodies? Failure to communicate? In any event, our executives reported to me that our competitors in Winnipeg and Vancouver were alternating in underquoting us on substantial contracts in our area. Furthermore, they were buying large quantities

of scrap steel close to our plant. The selling prices of our products were declining steadily, the cost of our raw materials increasing. We fought back strenuously, appointed dealers in Winnipeg, Regina, and Vancouver, commenced to buy scrap in the back yards of our competitors. It all seemed very silly, because the economics of transportation should define the effective boundaries of both sales and purchases. Our monthly profit and loss account began to reflect alarming losses. It was poor comfort to realize that our competitors in Winnipeg were losing three dollars, in Vancouver two dollars, for every one that we lost.

After about six months I one day picked up the telephone and talked to the President of the Winnipeg company's parent in Montreal. I had met him during my year of service in the Canadian Chamber of Commerce. The talk was amicable, but he made it quite clear that he thought our executives were a group of lunatics. I assured him, with a laugh, that I had received similar reports about him. A meeting was arranged in Winnipeg, and peace terms agreed on. Steel prices tend to be set by the leaders of the industry, and are quoted f.o.b. Hamilton, Ontario. We would both deal through recognized fabricators and dealers—transportation costs would determine the area of priority. Scrap metal would be acquired in areas adjacent to our respective plants. Some knotty problems remained, but on the whole our differences were settled quickly and effectively. A. Campbell, the president of the Winnipeg company impressed me as a straight shooter, and I think I captured his confidence. Operations became profitable again, and we were able to report a moderate profit in our second year.

Under Gerry Heffernan's inspired management, new techniques were developed, new products produced, profits steadily increased. A continuous casting machine, the second on the North American continent, which obviated the necessity of pouring ingots, and reducing the rolling process, materially reduced costs. Shearing and baling machines to treat scrap metal substantially lowered the manpower requirements in the scrap yard. The management bubbled with ideas—innovations were continually reported.

The quarterly board meeting of Premier was attended by directors from New York, Montreal, and Vancouver. Jon Brown, our

sales manager, inaugurated the practice of greeting our out-of-town directors with a bottle of Johnnie Walker's best Black Label Scotch in their hotel rooms, a gesture which was greatly appreciated. During the price war I insisted on a programme of austerity. Costs must be reduced to the minimum. It was suggested that we discontinue the Black Label. After discussion we decided to compromise by serving Red Label instead of Black Label Scotch, much to the anguished laments of the visiting directors. When the war was settled and we reinstated the more costly bootch, it was accepted as a symbol of affluence. "Is this," they said, when I met them at the airport, "a Black Label meeting, or a Red Label meeting?" The phrase stuck. In our group we now refer to Black Label meetings and Red Label meetings. Affluence or austerity! Shoals or clear sailing!

Around 1960 an "end products" plant in Edmonton producing sucker rods and certain types of conduit pipe had got into difficulty. We acquired the plant by the acceptance of its liabilities, installed nut- and bolt-making machinery, and found ourselves in both primary and secondary steel. In 1962 we sold Premier to Steel Company of Canada, at what we regarded as a fair price, the first time, I think, that Canada's largest steel producer had acquired a plant in the west.

Whilst operating Premier Steel we had become interested in certain iron ore properties in the Peace River area, oolitic ore of low grade incapable of beneficiation by blast furnace methods, but easily mined and readily available. In co-operation with the Research Council of Alberta, Premier Steel partially financed research into a leaching process with hydrochloric acid for the beneficiation of the ore. This research was still in process when we sold Premier, and arrangements were made with Stelco to permit us to retain our interest in both the iron ore leases and the process. Control of this operation is still retained by main Premier shareholders, and in conjunction with the Government of Alberta and the Government of Canada a pilot plant has been built in Edmonton and has moved us a step closer to proving the commercial feasibility of this unique method of producing steel.\*

\* Due to a variety of circumstances, Peace River Mining and Smelting Co. Ltd. was not successful and was forced into liquidation. It was the one abject failure from which our group suffered.



In 1962 we were approached by a group of steel users in Toronto to put up a plant at that point, they offering to put up 50% of the secondary and equity capital. Our group accepted this proposal and Lake Ontario Steel Company Ltd. is now going into the sixth year of its operations. It has already earned substantial profits, and there would seem to be justification for the view that a small electric furnace fed by prepared scrap or sintered ore will be able to compete satisfactorily in a certain range of products with blast furnaces, open hearths, and L.D. converters.

During our period of administration of Premier Steel we met and dealt with several European, subsequently Japanese, operators. These negotiations, although they came to nothing, were very interesting. We made some excellent friends, and got an insight into the operations of the steel industry in England, Germany, France, and Japan.

In 1956 largely, too, through a surplus stripping operation we acquired control of Bruce Robinson Electric Co. Ltd., and operated it until 1965, when we sold it.

Sunley Electric Limited, an electric contracting concern which we acquired in 1961 and still operate, is under the administration of Stan Sunley, a very able contractor and engineer.

There have, of course, been several ancillary investments which characterize a management investment group such as ours. We have never been particularly interested in real estate, but have made one or two minor investments of that type. We also made a moderate profit in a silver mine operating on the shores of Great Bear Lake,\* and an exploration concern interested in investigating mining opportunities mainly in the Canadian North, but also elsewhere in the world. This venture is rather interesting because it contradicts one of my precepts—that intelligence and judgment are privy to sound business management and investment, and that we must have an influential "say" in management. Some years ago I received a call from Norman Edgar, a mining geologist, to the effect that he was forming an exploration or prospecting company to search for northern minerals. Without too much thought, I am afraid, I committed our group to a modest investment. It was some months later

\* Echo Bay Mining Co. Ltd. is now quoted on the Toronto Stock Exchange and is one of Canada's largest silver producers.

that I found that Alex Hamilton had also committed a somewhat smaller sum. In a short time Edgar reported that he had found something interesting. At Echo Bay, on the shores of Great Bear Lake, about ten miles from the abandoned Eldorado mill, there was an old silver mine, opened in the thirties by Cominco. Cominco had discontinued operations because there hardly seemed enough available ore to justify a mill, transportation was a problem, and the price of silver was low. "Thirty years later," said Edgar, "these conditions have changed." The price of silver was up and showed signs of increasing, the old Eldorado Uranium mill could be acquired or leased at a moderate figure, transportation had been improved. It was felt that an investment of \$500,000 could be returned in one year, with some probability that there would be enough ore to justify operations for another year at least. It didn't quite work out that way. At the end of a year we lugubriously viewed the operating results. Costs had been higher and ore yields lower than anticipated. Another \$250,000 was necessary. Some of the syndicate declined to continue. We decided to maintain our modest position, on the understanding that the later investment would be returned first, and that operations would be reorganised. The next year was more successful, and we obtained the return of our later investment. 1967 Centennial Year was fabulous. The mine struck a rich vein in a new entry, made excellent profits in April and May, and was sold to International Utilities Ltd., one of our partners in the syndicate, for seven million dollars. As I have said, our share was modest, but we made a satisfying gain for a group of our size. All this was admittedly lucky. It was like hitting a long shot on the first race of the day, or making a grand slam after three successful finesses.

Our policy has been one of management and investment, and in that respect we differ from the usual closed- and open-end investment trusts. We don't always control, but we do like, as I have said, to have a "voice" in management. We have not always been outstandingly successful, but usually we have. In 1953, for instance, we acquired control of a finance company in Vancouver. The circumstances were similar to those under which we purchased the Birks Building in Edmonton. Bill Anderson, acting on behalf of a client, had made an offer, which had been accepted, for a substantial por-

tion of the shares of Consolidated Finance Co. Ltd. Then the client had had a change of heart and circumstances, and wished to be relieved of his commitment. Bearing in mind our success in taking over our client's obligation in the Birk Building, I suggested that we step into the shoes of our client. I lived to regret my impetuosity — like Max Baer we, or at least I, shouldn't have been in the ring. Our group owned over 50% of Consolidated, Ken Dalglish and UNAS Investments Ltd. about 30%, others about 20%. Once again I was president. For two or three years we operated satisfactorily. A dividend of 8% per annum was instituted. Then all sorts of things began to happen. First, our bank informed us that by agreement with the Bank of Canada our line of credit has been frozen at existing figures. To expand our operations, and they were expanding rapidly, it would be necessary to issue collateral notes, particularly on the eastern money markets. Pitfields were appointed our fiscal agents. To me, this procedure was harrowing. There was always some doubt as to whether the notes would be renewed at the expiry date — it was inadvisable to ask, but was worrying to stand ready to find half a million or a million dollars overnight.

Our loans expanded from five million, to ten million, to twenty-five million, to fifty million. Branches were opened in New Westminster, Edmonton, Calgary, Dawson Creek — we acquired a finance company in Toronto. Then, I began to suspect that our management, very capable of managing the affairs of the Vancouver office, was inexperienced in instituting procedures of reporting and control of credit at other offices. The technique of the business involved persuading automobile dealers to place their retail paper through our company. The dealers demanded conditions: capital loans at moderate rates for new plant, wholesale loans to finance new and used cars, a percentage of the profits we made annually on the retail paper they directed to us. It is notable that a high percentage of the bad debt losses we sustained were not consumer or small debt loans, but loans to substantial dealers for capital and wholesale accommodation.

All this coincided with a period in which the automobile that several of our dealers were distributing was not meeting satisfactory public acceptance. Our large competitors were continually soliciting

our best and safest customers, offering larger capital and wholesale loans at lower rates of interest, larger shares of profits to the dealers. We had to meet the competition or lose the account. If we met the competition it became necessary to charge higher rates of interest to retail borrowers — a distasteful alternative. Indeed, at that time many automobile dealers avowed that they made no money on the distribution of cars, but depended on the division of profits from the finance companies. The situation with used car dealers was even more frenetic.

Then, at one directors' meeting the general manager reported that it would be necessary to increase our provision for doubtful accounts. The figure he mentioned did not seriously affect the profits for the year, did not endanger normal dividends to shareholders, but was it adequate? Said Bill Anderson, when we had listened to the mellifluous report on two or three dealer failures in Edmonton, "Is that all?" We were assured that it was. But Ken Dalglish remarked after the meeting, "I wonder if they are sweeping the dirt under the rug."

Almost immediately reports were received of more difficulties in Toronto, used car dealers failing, our company repossessing substantial inventories of used cars, facing further severe losses. I spent several weeks in Toronto with the general manager, and became more and more disturbed with the situation as I saw it.

Upon my return to Vancouver I suggested to Bill Anderson that our accounting firm conduct an exhaustive examination of the company's affairs. "Let's get down to the table top." But it is rather difficult for an accountant, independently of management, to evaluate accurately credit risks. The report still left me dissatisfied.

The next step was to ask my son Bill to move to Vancouver, live and work with the company, and give us an informed and realistic assessment of the situation. Bill's report was available on my return from a winter holiday. It was a shock to me, to Bill Anderson, to the other directors. Reserves for doubtful accounts many thousands of dollars in excess of existing provision should be made. The profits for the year would not be adequate to meet all the losses — it would be necessary to appropriate part of the company's surplus built up from past earnings. Whereas the credit procedures in Vancouver

seemed adequate, the supervision of other offices cried for attention. We had grown too rapidly!

I asked Reg Whitaker to leave Northwest Industries and assume the general management of the company. Reg did so, and worked very hard, as did Bill Winspear, but I was still not satisfied. Reg is a capable organizer, and has skill in composing difficult situations, but he is not a Murray Monague. He is an internist, where a surgeon was needed. To make matters worse, I felt lonely in my problems. Alex Hamilton was busy on other problems. Winslow Hamilton was dead. Bill Anderson, by now an over-dedicated Vancouverite, would dispose of any criticism of home-town executives with a devastating sweep of a verbal machete.

I travelled to Toronto and discussed the matter with Allen Lambert, the President of the Bank. For the first time I was not relaxed in my presidential office. There were too many unponderables — too many matters beyond our control. One of my cherished concepts, that a small or medium-sized company can compete successfully with giants, was in doubt. A very small finance company, with several captive accounts can operate modestly and satisfactorily. A medium-sized company would find it difficult to compete with gargantuans, who would tend to carry more influence in eastern money markets, and obtain short- and long-term credit at lower rates of interest. We would, I thought, have to get much bigger, or reconcile ourselves to operating with one or two officers in a small way. Both alternatives at this stage seemed distasteful.

Allen, as usual, was helpful and wise. Would we like to sell the company? We would. We were referred to a bank's customer in the East, who was desirous of expanding westward. They sent a team to Vancouver, and our books and records were made available to them. Bill Anderson handled the negotiations very capably. Even as Winslow Hamilton transcended my skill as an expert witness and financial counsellor, so now I became conscious that Bill had outstripped me as a negotiator. His manner is charming, his data are well organized and compelling, his arguments are presented with incisive clarity. In any event I did not trust myself to enter into discussions, I was too anxious to sell. They made us an offer for our shares — only some 15% more than we had paid for them, but our

group and the other shareholders accepted with relief. Reg Whitaker was retired as general manager, and received severance compensation from us. The remainder of the staff were given an opportunity to work for the purchasers. Finance is fun, but in my experience the consumer finance business was five years of anxiety, of nerve-racking, unpleasant experiences.

In reviewing the business activities of our group there are several ideas which occur to me in retrospect. One day during the European negotiations, to which I have previously referred, Alex Hamilton and Gerry Heffernan related to me a conversation they had had with the leader of the French interests. During the day we had been discussing the price which we would be prepared to recommend to the shareholders of Premier if we joined the consortium. We were convinced that our price was moderate. The English seemed prepared to accept it. The French demurred somewhat. That it was moderate was, I think, substantiated by the fact that several months later Steico paid a considerably higher price in cash. However, the French industrialist had remarked, 'We have made enquiries about your Mr. Winpear, and we understand that he is a very able man, who has a genius for buying things at a low price and selling them at a high price.' This comment when reported to me gave me some concern. Whereas I think it was meant to be kindly, it was nevertheless a reputation which we in our group did not wish to attract. A management investment group can develop and expand in two ways. First, by successful operations of the businesses in which it has already invested, and secondly through the opportunity to make additional investments. If we attained the reputation of buying things at less than they were worth, fewer and fewer opportunities would be available to us. It is true, in looking back over our investment activities, that we have had several bargains. Gold Standard Oil was a bargain, but it was a proposal made to us by the Wright interests, and not by us to them. Gormans was a bargain, but the proposal was made by Charlie Garnett, met a particular circumstance which had arisen at his time of life and in his individual circumstances, and he was satisfied with the deal in every way. Swansons turned out to be a bargain, but only because we had successful operations and high prices for lumber products following

the war. In fact the price we paid for Swansons was some \$1,000,000 in excess of the price at which Swanson had been willing to sell to the E. P. Taylor interests. It has really not been our policy to sell businesses except when we feel we are operating in a field in which we are not particularly skilled, and have not men in our organization capable of managing the affairs. I think that the price we paid for Brocks was a fair one in all the circumstances. The price at which we sold was also fair. The very substantial increase in price over a short period of years was mainly due to very successful operations in the interim.

This does not mean that I have any illusions that the interests of the buyer and seller can always be exactly reconciled. Some years ago I read a novel in which the hero was a free enterprise genius who could do wonderful things for everyone. I felt that the idea was unrealistic and superficial. I am not suggesting that one can serve two masters — that one can be a buyer and a seller at the same moment. I am suggesting that a long-term, as distinct from a short-term, policy should permeate the activities of an investment-management group. The process of buying at the lowest price and on the harshest terms may be good business for one particular transaction, but is not necessarily good business in the long-run. Similarly, selling for more than a thing is worth may or may not be good business, but it is usually not. In all these things, as one's business operations extend beyond the confines of a local community, one's reputation is going to be dependent upon the fairness with which one deals.

I continued to serve on the boards of several companies — on the Board of the Toronto Dominion Bank until I was seventy and on the boards of the steel companies until I was seventy-eight. I had asked my partner Alex Hamilton and my long-time associate Gerald Heffernan to let me know when, by virtue of my age, I should retire. I have a horror of elderly men outliving their usefulness. They both assured me that they would do so and in fact expressed the opinion that I should stay on for a few more years, and Gerry Heffernan was kind enough to express disappointment at my decision. But I sensed that my influence had declined.

In 1981, faced with massive inflation, rising interest rates and an obvious decline in buyer demand, a recession, or even a depression,

was around the corner. In the face of this, I felt it was very doubtful whether Co-Steel should permit its subsidiaries to enter into millions of dollars of capital expenditures in New Jersey, in Whitby, Ontario, in Midlothian, Texas, and even in England. I pleaded with my fellow directors to put most of these proposals on the shelf for at least six months; but my representations fell on deaf ears, and I found myself a minority of one. I have always felt that the representatives of the bank, at the very least, should have supported me, particularly as I had never failed in the advice I had given to the bank. On my resignation, the directorates of the five steel companies were very kind. They made handsome presentations, farewell banquets and, in fact, made me an honorary director of each of the companies. Nevertheless, I feel that time justified my judgment. The companies got into serious trouble and only survived by making an issue of securities at what I would regard as distress prices. As a result the holdings of those who had originally invested in the companies, and loyally supported them for a number of years, were severely diluted. Since then (and at the time of writing in 1988), by wise financing the companies are once again financially sound and are operating profitably. They include, I think, the lowest-cost steel producers in the world.



# 8

## A FUNCTION FOR FIFTY CENTS

DURING MY FIRST FEW DAYS AS A CHARTERED ACCOUNTANCY student in the office of J. B. Sutherland in Calgary I made a very serious mistake. The typed balance sheet of a firm which it was my duty to compare with the original draft, and then check as to additions and extensions, had an error. Owing to my negligence the firm was guilty of issuing a balance sheet which did not balance. When I came in one morning I was told of this heinous offense. I quaked in my shoes. Was my career in accountancy to end almost before it began? I waited in nervous trepidation until the boss had arrived. In a short time I heard his office door open and close, and then his Scotch voice called out "Winspear." I went in. "Sit down," said the boss. I quivered to a seat. "I suppose you know," he said, "that you failed to catch a typing error in this balance sheet?" I said, "Yes, sir, I do." He said, "All I wanted to tell you is this. The only reason I didn't check those additions myself was that I didn't have time. There is no unimportant work in our office. It is all important. I asked you to do that because it comes within the ambit of your experience. I am doing other things that fall within the circle of a wider experience. We are all working towards the same end — a report to our clients of which we in our firm can be proud. Do you understand?" "Yes, sir, I think I do." "All right," he said, "that is all." This experience made an impression on me.

In the bank the office accountant had been at pains to let the tellers know that their functions were quite unimportant, whilst his

were vital. The teller loaned it over the ledger keeper, the ledger keeper over the discount clerk, the discount clerk over the collection clerk. And everybody in the organization concerted to inform the junior that he was the lowest of the low, that his monthly salary was just overhead, and that any fool could perform his functions. Now, within two or three days of joining an organization, I was informed that my work was just as important as that performed by the managing partner, and I was part of a team working towards an end, and with a clear objective in view.

I had a further experience in those early years which tempered my thinking on executive leadership. Two of the accountants under whom I worked in the bank were very fine men, and later became close friends. As a junior, however, I worked under a very conceited and unpleasant accountant who had no consideration whatsoever for his subordinates. In those days at the close of the First World War the bank was very busy and badly understaffed. Each day the final report to Head Office on the day's transactions had to be prepared and signed by the accountant. We all had to work overtime, but it became the practice for the accountant to go off somewhere and spend the evening, coming back to the office late at night, usually around eleven or eleven-thirty, to sign the daily report. I was expected, as the junior, to be on hand, to place the signed report in an envelope, put a stamp on the envelope, and mail the document. I would stay around the bank for long hours, my other work completed, never knowing what time the accountant would return. The situation became so serious through lack of sleep that finally my father intervened and saw the manager. All this led me to develop several concepts with respect to the management of personnel which I have never abandoned.

- 1) Men and women are capable of making great sacrifices when they can see the object behind and the necessity for those sacrifices. There is nothing more dangerous to morale than a feeling that hard work and dedication are useless. Frustration is devastating.
- 2) A business organization is a team, and every member is important. The function of the executive must not be to deprecate the work which is being done by his juniors, but

rather to let them see the end results, to develop a feeling of pride in their work and their importance to the organization. One can never be sure that the cancer of frustration nurtured by a bureaucratic type of officialdom has not eaten into the efficiency of an organization, but one should always be on guard.

In telling this personal experience, I would like to say that I am satisfied that banks have changed their personnel policies since that time. In those days they had a nineteenth-century attitude toward employees. Now they are in the forefront of the twentieth century. When my son Bill worked in a bank for two years before going to university, he found working conditions to be pleasant, and office executives thoughtful and well trained.

Later at the University I was required to offer a course on the principles of business administration. At that time very little had been written on the subject, and I found a scarcity of good textbook material. By reading the biographies of successful men, and the history of effective business organizations it was possible to develop certain useful concepts. Broadly speaking, a business organization stands on five pedestals of management, personnel, production, facilities, distribution, and finance. In examining his organization and in planning for the future, the top executive should consider each one of these in turn. He should satisfy himself that he has a sound personnel policy, and an effective attitude even down to the lowest man on the totem pole, and that his policy is being generally followed by his junior executives. He must know that his production costs are, if possible, better than those of his competitors, and that within the range of the financing capabilities of the organization the best in facilities are being utilized. Effective production involves not only an efficient flow of work, the prudent purchasing and handling of materials, the employment of good artisans, the maintenance of machinery and production facilities at a high level, but also a continuous study of how things may be done in some new and different way to reduce costs, to increase productivity per man, to improve efficiency. Much is said about research and development. The introduction of new and improved methods of production, and products for expanding markets is very important. On the other hand, business should always be alive to what is going on elsewhere

in the world, and sometimes very simple techniques can improve efficiency and reduce costs. When we were operating Premier Steel, Gerry Heffernan remarked one day that a new method of making billets had been developed in Europe by continuous casting. This obviated the necessity of pouring molten metal from the electric furnaces to ingot moulds, allowing the ingot to cool, removing the ingot from the mould, and then transporting it to the rolling mill. Continuous casting, producing a billet instead of an ingot, would not only speed this process, but also remove certain phases in rolling, reducing costs substantially. Heffernan and Alex Hamilton and I went over to see continuous casting machines in Europe and in Japan, and we installed one at Premier Steel, with a resulting important saving in costs. Heffernan also discussed with us the possibility of reducing labour content in the rolling mill, and when the new mill was erected at Whitby, Ontario, the rolling mill was electronically controlled. Instead of crews of men, naked to the waist, placing the feed into the rollers, electronic eyes performed the complete function under the direction of one operator behind an electronic board. The saving in cost and improvement in productivity were enormous.

Sometimes even more simple concepts will improve productivity and decrease costs. When I first opened the books for Swansons and produced process costs, one of the important elements of expense was "lopping." After the trees were felled men with axes would remove branches from the trees, so that they could be dragged to the sawmill. One day lopping disappeared as an element of cost, and I found that Swansons were now felling the trees, and dragging them by caterpillar to the sawmill, by the time they arrived the branches had all been stripped. Simple, but effective! When I first saw Swansons, trees were felled by an ax. This was followed by a two-man saw. Now the trees are all felled with chain saws, very much more rapidly and at much lower cost.

An inquiring attitude of mind as to how things can be done faster and more effectively should pervade the whole organization. A divine inquisitiveness is the key to dynamic business. Sometimes talk of the research functions of a business brings to mind massive laboratories, heavy appropriations of funds, and vice-presidents

dedicated to technological improvement. The small or medium-sized entrepreneur is inclined to say, "I wish I could operate a research department, but I simply haven't got the money." This attitude is incorrect. Research is not so much a question of facilities and organization as a habit of mind. Techniques can always be improved, old-fashioned habitual modes of thought should never be countenanced. There are independent research laboratories which, at moderate costs, can be retained by the small operator. Governmental research councils stand ready to assist, their facilities should be used. Above all, the able business man should be alive to developments in other companies, and in fact other countries.

I have previously referred to policy. No word is more misunderstood in the lexicon of business. It is important that an organization has clear plans and definite procedures. No organization should have rules or procedures which are so immutable that they should never be varied. But there is a tendency, I have noticed, particularly in very large companies, for a junior executive to respond to an enquiry by saying "That is company policy." It may be true that the overall interests of the company require that a procedure be followed which is disadvantageous to one sector because it may prejudice those interests. On the other hand, the fact that top management, or even the board of directors, has defined a certain course as being long-term policy should by no means make it sacrosanct, or insulated from continuing challenge and enquiry. Once I recall I had on one of my boards a vice-president whose contribution to discussions was the rather querulous question "But what is the policy of the company?" Finally one day, rather impatiently, I turned to him and said "The policy of this company is to make money, and to live with ourselves and our community in the process. We have no unchangeable policies."

This was probably an over-simplification for the purpose of emphasis. Nevertheless, I do believe that policy is a badly overburdened word. I once read that one tends to conclude a sentence with the expression "et cetera" when one stops thinking. I suggest that executives sometimes use the word "policy" in the same way.

Previously I have referred to my experience with machine salesmen when I first started to practise accountancy; later our com-

panies installed data processing machines and often took advantage of computers. There is some danger that computerism is becoming a fetish in modern business. My friend Fraser Robertson of the *Toronto Globe and Mail* tells an amusing story of going into a store to buy something which he was assured was in stock, but was not available. The records of the computer were produced to prove that it was in stock, but it didn't help Fraser to buy the garment he needed. Computers, of course, are an important tool of modern business, but a tool can never function by itself. They will never be better than the minds which feed the data to them, and like any other tool they must be used at the right place and under the proper circumstances. When we acquired Northwest Industries one of the first things we did was to remove the data processing machine which was excessively costly, because the company did not have a flow of transactions of an identical type which would justify its existence. Computers and data processors are there to help the administrator control and decide. The question to be asked is whether or not they are in all the circumstances the best methods of control, and whether the resulting decisions are necessary or helpful.

We are getting away, somewhat, from the chain line method of production lampooned by Charlie Chaplin, in which men spent hour after hour and day after day performing precisely the same function. Electronic controls and new techniques are emancipating people from frustrating and tiring work. Research and improved technology provide a key to better productivity. Later in this chapter I refer to the evolution of business from a managerial aspect. It is notable that in the past hundred years business has also evolved in another respect, in the utilization of human resources—from the common laborer or the individual craftsman, to the chain line production worker, to the mind which operates electronic controls. It is estimated that human muscle now accounts for approximately one per cent of the energy used in production (*America's Needs and Resources*, The Twentieth Century Fund, N.Y., 1955, page 908). In American-Canadian society there are still ugly pockets of poverty and distress, but if we continue steadily to increase our gross national product and to assure through governmental transfer payments and other techniques that there will not be an over-concentration of

income and wealth, it should not be too many years before the proletarian class in the Marxian sense disappears. We will all become bourgeois.

Business decisions should be made after careful consideration and examination of all the relevant data. It is a sufficiently difficult task to gauge probabilities and make wise decisions if up-to-date and reliable data are on hand; to make decisions on old and incomplete data is a foolish and unnecessary business risk. Some years ago a friend of mine told me that he was going to save a lot of money in building a house. A Dominion Government building in Edmonton was being offered for sale. He thought he could buy the building very cheaply, tear it down, and use the lumber to build the house. Afterwards he confessed that the house cost considerably more than if he had let a contract and gone through the normal channels. On analysis he had found out that the type of lumber that could be obtained from the derelict building would only, in any event, represent 10% of the material to be used in house, that the cost of tearing down and transporting the material and the inefficiencies arising from the use of nail-riven and old material would more than offset any possible savings he could make. A carefully planned business would not make a mistake of that type. In fact, very often the obvious is not the correct solution.

Somebody once told me that he was going to save a lot of money by having a cruiser built in Greece. Wage rates there were so much lower, he said, than elsewhere in the world. Thus, however, to me raised a number of questions:

- a) What percentage of the cost of building a cruiser is represented by labour?
- b) Do the inefficiencies represented by cheap labour offset the advantages of better paid, but more efficient men?
- c) If Greece is the most efficient place to build a ship, why isn't it the largest ship-building centre in the world, instead of Japan or Sweden?

The distribution aspect of a business is a fascinating study. First, there are the ever prevailing questions of selling costs, the turnover of inventories and receivables, methods to be employed either by direct approach or through agents and dealers, the maintenance of

local warehouses, and so on. These are all questions of policy which must be considered at the board level. The expenditure of the promotional and advertising dollar is always an interesting challenge, and above all the importance of good distribution will depend on the employment of good salesmen, and the direction of affairs by wise and skilful sales executives. As a junior in the bank I can remember being in a retail store in Calgary delivering a bank draft to the office. At that time my father was city salesman for the Brock Company. From the back of the store I saw him enter the front door. His head was back, his eyes were shining, he walked with large strides, the carriage of his body seemed to indicate the movement of a thoroughbred race horse, striving to nose to the lead. Under his arm he carried a bolt of cloth. He didn't say a word, but walked up to the owner, threw the cloth on the counter, placed the edge of the cloth in the owner's hand, and said, "We have so many yards left, and I can offer it to you for so much per yard." The retailer said "Send me the works." "Thank you," said my father; "now whilst I am here I have one or two other good buys to offer you, and I suppose you will be wanting to replenish your stock in several departments." He left with what was obviously a large order.

My father was not a club man, and he seldom drank. Certainly, he never bought drinks for his customers, and I question if he even sent them a Christmas card. There was no question of sending expensive gifts or indulging in the many gimmicks which so many modern salesmen seem to feel are necessary for effective distribution activities. I think he sold merchandise effectively for three reasons:

- 1) He knew his products thoroughly
- 2) He captured the confidence of the buyers. They were convinced that he was really thinking in their interests.
- 3) He was sincere and honest in the things that he told them.

I can remember discussing with my father during our period of ownership of Brocks, the question of why we were not getting more effective sales of floor coverings in the Edmonton area, and I mentioned that a certain store on the south side of the city was reputed to have large sales of floor coverings, but was not dealing with Brocks. He asked me to ask the Edmonton manager why we were not selling that store. I telephoned him the reply the following after-



noon. "The owner of the store," said the Edmonton manager, "simply does not like the floor coverings we are selling. He prefers other lines." "I will be up on tonight's train," said my Dad. When he walked into the Edmonton warehouse the next morning, his first words were, "Show me that man who doesn't like my floor coverings." The Edmonton salesman took him over to the store, my father sold him a carload lot, and he remained a customer of the company subsequently. My father belonged to the old school of sales management, which believed that you can't tell people how to sell, you have to show them.

The selection of salesmen and sales executives, in fact the making of key appointments of all types, is probably the single most difficult task of the top executive. Some men seem to possess an unerring instinct, my partner Winslow Hamilton had particular skill as a selector of staff. Alex Hamilton has a keen appreciation of human qualities. Aptitude and intelligence tests are helpful, but are by no means infallible, and should be used with reservations. It is useful to have experience with the man, to live with him in the organization, and that is one reason why it is wise to promote from within if possible. There is no substitute for intelligence, a stupid man never makes a good executive. But in addition there are certain indefinable qualities of imagination, inquisitiveness, drive and co-operativeness which tend to make a successful business leader. The problem is further complicated by the phenomenon that good men, like race horses and golfers, have their good days and their bad — their productive periods in life and their slack. Health, both physical and mental, alcohol, domestic relations, community relations, all contribute or detract from the effectiveness of a key man. If, however, you have a man who is a "money maker", and they are woefully few, bind him to your organization with bands of steel — he is a priceless possession.

Before we acquired Swansons I was one day approached by their sales manager, a man by the name of Greenwood. He told me of a concept he had developed that western white spruce being light, absorbent, and easily handled, should make a good industrial lumber for making crates, butter, and fish boxes, and so on. He suggested that if the company would finance a trip for him to the eastern

states he felt that he could open up a completely new market for the company's products. Greenwood was a man of small stature, balding, stout, and tubby, and possessed rather a whimsy querulous voice. He was not well known in the city, belonged to no clubs, did not play bridge, and although he had a very charming wife and family and loved his home, certainly did not possess a dramatic personality. Greenwood, however, had a very ingenious mind, and he had the knack of showing the customers that by some small variation in specifications they could obtain better service and better prices from the mills. He always seemed to argue with a pencil in his hand, and he spoke from experience and study of both sides of the question. Greenwood did go east under an arrangement whereby the sales department would be paid a small commission by the production department, would be empowered to handle the production of mills other than Swansons, and Greenwood would get 50% of the profits of the sales department after a small guaranteed annual salary. He died a wealthy man, and the last cheque issued to him from Swansons, as I recall it, was well over \$100,000. Over and over again I have been led to the conclusion that specialty salesmanship in particular, is a matter of confidence, information, and ideas. A very successful sales manager in our steel interests was not the man we first chose. I was very doubtful as to his personality and capabilities when I first met him. He is successful because he knows his products and has the confidence of his customers.

In addition to maintaining historical and statistical records, those who stand on the financial pedestal should be concerned in controlling through planning. Every aspect of a business should be planned, but the controller is the officer who integrates and centralizes the process. The annual budget, prepared with extreme care, is the basis for research and self-examination into every department of the business. More emphasis should be placed on the preparation of the budget than even on subsequent comparisons. It is important to know where plans have gone wrong, where mistakes have been made, or where forecasts have been unduly modest, thus is information essential to the top executives, what is vital is that a carefully prepared plan be developed in advance of each year's operations. If possible with respect to capital expenditure programmes, somewhat

more general plans should be made some years in advance, at least to the extent of considering the order in which the company will obtain new facilities and develop new products. It is always wise to discuss plans with the company's bankers. The feeling that an organization knows where it is going, and is under control gives a sense of confidence to money sources.

I once heard that a fashion model is taught to walk with a fifty cent piece held between her buttocks. A good business organization should progress in a similar way, effectively, compactly, and without unseemly undulations. It must be hard-hitting and efficient, should never be complacent or satisfied, and should always be striving for improvement. Above all, it should possess what Curtis of General Motors referred to as the "enquiring mind." In addition to all this, it should be relaxed. Show me an executive who is harned and worned, and I will become concerned. A man who is on top of his job knows what has to be done and the order in which it should be done. I have no confidence in worrywarts, nor have I any confidence in people who make rapid and quick decisions with a lordly wave of the arm. Temporizing or procrastination is wasteful and demoralizing, superficiality is dangerous. Too many people find themselves in a top executive position by right of succession or inheritance, without natural aptitude or careful training. It is a vocation demanding hard work and careful preparation.

I mentioned in Chapter 3 that Winslow Hamilton called me "Mr. Winspear" until he became a partner. My secretary, Jo Connelly, still calls me Mr. Winspear at the office, although we are close friends, enjoy in fact almost a brother-sister relationship. First names are fine for poets or lieutenants, but the top executive should keep themselves a little apart — not be too familiar. In our firm excessive familiarity between partners and staff is not encouraged. There is no place for fanny slapping in an effective organization.

Business decisions require up-to-date data, and the exhaustive consideration of every conceivable alternative. The committee system is valuable, it may be wasteful of time, but it does tend to be more accurate. This does not mean that ultimately the decision should be made by a majority of the members of the committee. On the contrary, the ultimate responsibility must rest with the top execu-

tive, who is probably the chairman. He, however, should base his decision on full information and adequate discussion.

Thus leads me to remark that the modern business executive is a very different person from the "captain of industry" of the 19th century. Those old captains of industry were the only ones in the organization who were fully energized and really active. They carried staggering loads of responsibility and performed colossal volumes of work. They ruled their organizations as a 19th-century father ruled his home. There is, in my opinion, justification for the thesis that the capitalistic system has lived through three distinct stages of evolution. First, as I have said, the captain-of-industry stage which flowed from, and was an extension of feudal society. Instead of owning land and controlling serfs, the captain of industry owned machinery and controlled wage-slaves. Even children were sometimes forced to work long hours without a proper appreciation of their health, education, or general welfare. As demands for capital increased, there developed a tendency to incorporate companies and issue securities, bonds, debentures and preferred and common shares to the general public. The management and ultimate control, however, still tended to remain in the hands of the original entrepreneur. Of late years, and particularly in the past twenty-five, the trained executive, often with only a fractional interest in the equity shares of the organization, has assumed increasing importance. With a charted organization, lines of authority well developed, and a team which is running smoothly in every respect, he occupies almost a judicial position, holding an even hand between the rights of labour, consumers, and shareholders.

What I might refer to as the professional business administrator or executive is making a valuable contribution to modern business, and I think to western society generally. The entrepreneur, however, fortunately still exists. He sometimes sees opportunities which are overlooked by his larger competitors. He invests carefully, indeed sometimes with magnificent skill. He is concerned with the quality rather than the quantum of investment. Large corporations have been and are concerned with their public image. Because they have perpetual existence, they must have long-term policies. They may

have a tendency to play a hard-hitting, driving game, but they do not wish to obtain a reputation for dishonesty or unethical conduct. In many respects they are a stabilizing influence on the business community, their standards of ethics are often emulated by their smaller competitors. I am suggesting that education and training develop a sense of social responsibility. Thus, I believe, is evident in the business community at the present time.

A phantom which seems to cause some concern to some of my friends is a vision of big business corporations as a jungle in which junior executives fight unscrupulously for preferment, become deeply troubled about such matters as fern stands, take care to keep up with the Joneses by living in the right section of the city and driving the right car, are tacitly supported by their wives who skillfully use their sex and their social graces to assist their husbands. I am not prepared to say that no such situations exist. I do say, they have not come within my experience. I suppose every group of people, including schools, universities, church societies, clubs, to say nothing of political parties, will suffer from members who are woefully ambitious to the point of being ruthless. As society becomes better educated, as we become more cultivated, we learn to play the game for the joy of playing, and at the same time recognize the delight of pleasant and loyal relationships. Possibly, I am naive, but in Canada at least, I do not believe that the jungle of big business exists, at least in terms sometimes expressed in modern novels, or even semi-serious works. I have known many lasting and fine friendships in the junior executive ranks of large corporations, and I am satisfied that this relationship is more typical than the so-called jungle.

It is noticeable that those who criticize business and the business community tend to base their comments on an era which is past. The captain of industry with all his vices and virtues is no longer important. One might as well criticize Christian doctrines because some people burned witches in the middle ages or countenanced the Spanish Inquisition. If we are to be constructive let us view society as it exists today.

There are those in the business world with a lust for power. In the past few years we have seen several instances of men who had

based their power on the assets which they amassed. They spoke grandiosely of the fabulous resources which they controlled. Often they overlooked the very simple business principle that business resources have a purpose, that is, to make profits. I have known instances, some in Canada in the last few years, in which so-called business empires have collapsed. In each instance an examination has shown that their holdings have been pyramided without an adequate flow of funds. Very often they then rail at the "establishment", the banks or other financial institutions who have failed to come to their aid, or who have used normal business acumen in asking them to meet their obligations. It is usually popular to make unpleasant remarks about the so-called establishment. Personally, I haven't met the establishment yet, although I am proud to say that I number amongst my friends many of Canada's leading executives. It seems to me that the reverse is true. These power-hungry, over-eager men have violated the rules of good business, often ignored the advice of well trained and well informed executives, and then followed the immature process of blaming someone else for their own inadequacies. Our group started out with nothing, and we have developed some very satisfying business enterprises. We could not have done so without the support of Canadian banks. We have always found that if we followed the rules of good business, the banks were eager to meet our needs. The banking system has expanded in the last few years. When we started in business it became necessary to refer a loan application for even a moderate amount of credit to the head office of the bank in Toronto or Montreal for confirmation or approval. Now we have a general manager in our own city of Edmonton, who has his own staff of credit supervisors, and who can himself approve a credit of very substantial amount, an amount incidentally, in excess of that which most small local banks in the United States would be in a position to loan.

I have referred to professional and entrepreneurial business living side by side, and each influencing the other. This is true in Canada and the United States. My travels, too, and business negotiations in other countries lead me to believe that it is not as true in the United Kingdom, the Common Market countries or Japan. In Japan, particularly, massive business organizations compete strenuously

between themselves. England is badly in need of a well-trained managerial segment, although its bankers and traders are first rank. From Napoleonic times France has suffered from national socialism, and the pervading influence of the government in all except the very small businesses can never be disregarded. The Germans and Italians have their special failings and virtues, but certainly business in those countries is not quite the same as it is in the United States and Canada. Does this mean that I think we are perfect? That I hold a brief for the Canadian method? Not entirely. In some respects we in Canada tend to shadowbox with ghostly images. Our productivity may well be stultified by combative legislation which discourages economies of scale and specialization and inventiveness. Recent amendments to the Canadian Bank Act deny experienced business dual directorships on the boards of banks and certain trust and loan companies. The phantom here is a mistaken concept that a small group, several hundred Canadians, sitting on the boards of banks and trust companies, exert an excessively centralized influence on the financial segment of the Canadian economy. I have two comments to make, based on my own experience. It would be unthinkable that I would go to the credit department of a bank or loan company, soliciting accommodation with the argument that I am a member of the board. Such a request would receive short shrift from the financial officers, and is one that I have never used, and never will use. We have liked to regard ourselves as honest brokers, analyzing data, presenting projections, studying the condition of the money market, and the financial policy of the lender, and endeavouring to obtain a meeting of minds. The resulting relationship has neither improved nor deteriorated since I became a member of the boards. Furthermore, I have never observed any essential conflict of interest, even though there may be some measure of competition in, for instance, soliciting deposits from the public. A director must be loyal to his institution. He has a duty to perform. He must endeavour to direct his mind toward making the company a living effective organization which will contribute to economic growth and the stability of Canada.

Plato (in his *Republic*), conceived the idea that democratic institutions should be advised or influenced by a group of detached

philosophers, viewing and studying the needs of the state dispassionately and unburnedly — influential but uninvolved. I think I have detected a movement towards this Platonic concept in the governmental scene. In Canada, the Supreme Court, committees of high civil servants, the Economic Council of Canada, the Science Council, learned societies, are all rather philosophical bodies using data, discussing and viewing the needs of their country, independently of their own special interests. A good board of directors should, often does, perform somewhat the same functions with respect to the overall needs of a business. This is an ideal which is not always attained. Sometimes top management fails to provide directors in advance with agenda documents, sometimes directors don't do their homework, sometimes preuding officers resent searching questions as a reflection on their management, sometimes the governing statute or constitution loads the directorate with responsibilities for detail which they are unable to perform adequately, at the same time denying them time for discussion and study of matters on which they could really be helpful. On the whole, as management in Canada becomes more sophisticated, the level of discussion and the steadying influence of directorates become correspondingly evident. The board of directors is part and parcel of the committee system. In our own operations we have found them to be of incalculable value.

There are certain important ethical considerations governing the director's function. He must not use special knowledge which is available to him in his own interests. For instance, trafficking in the shares of the company should be done only when the information being used is available to all shareholders. He is elected by, is responsible to, and holds a position of trust with respect to all shareholders. If he cannot permanently perform his duties properly he should get off the board. A directorate should not be a sinecure, but a responsible duty, not lightly accepted.

Recent amendments to the Income Tax Act now deny an executive recognition for his services by stock options without paying exceptional tax rates, in a country which is short of business brains and experience this is surely a short-sighted policy. Let's realize that we are facing the needs of modern Canada, that the interests of the



consumer are paramount, that we must increase our productivity, our efficiency, our per capita income. Let's stop fighting that worn out anachronism, the 19th-century captain of industry.

Speaking of income taxation, it is notable that two schools of thought have been evident in the past, and will no doubt battle fervently in the future. First, there are those who would use taxation to encourage investment and growth, or even economic stability. In effect this group advocates hidden subsidies. On the other hand there are those who worship equity to the point of deprecating special allowances for oil and mining ventures, exempting stock market and other capital gains, or accelerated depreciation in designated areas. I have felt for some time, since in fact the inception of the present Income Tax Act, that we in Canada have gone too far in subsidizing certain extractive industries, too far in exempting stock market profits and other so-called capital gains. I would exchange a measure of taxation for a clear definition of income as opposed to capital receipts. Present uncertainty is a significant deterrent to venture investment. I cannot, however, accept the concept that capital gains should be taxed at the same rates as normal income, or that no special incentives should be given to those who take risks in developing mining and petroleum resources. Democracy fortunately tends to use the dialectic system in settling such matters, to bracket the angles between extremes. Good thinking tends to avoid extremes. I am satisfied that we will come to a compromise in this controversy which will recognize the use of taxation as an economic weapon, without unduly dissipating the principle of equity. Transfers to old employees or trained sons, or by legacy, at normal tax rates is a concept which in my opinion would be damaging to Canada's growth. Here, surely, we should look at the purposes for which the transfer is made. A gift by bequest or otherwise to a parasite who is simply going to clip coupons and live a life of leisure is one thing, a transfer to active men who will invest imaginatively, or cause a business to expand and grow, is another.

Before concluding these rather rambling comments on what might be referred to as my philosophy of business, I have two other comments to make. Broadly speaking, you can divide business enterprises into the merchandising function and the industrial or

productive function. In addition to normal distribution establishments one might well include real estate, stock market operators, many oil concerns. They buy things as cheaply as they can, and they sell at the best possible price. This requires a shrewd mind, often distinctive courage, and I do not question that it is a function which is socially useful. On the other hand, it does not particularly appeal to me. I can't find too much fun in, for instance, buying real estate, sitting back whilst society expands and waiting for the inevitable increase in selling price. I personally prefer to be a part of organizations which are finding new things to do, new products to make, and new and more effective ways of making old products. Primary and secondary industry is fascinating and challenging. Business should be constructive.

The other comment arises out of a remark which was made to me some months ago by one of the young chartered accountants in the Edmonton office of our firm. One of our clients had been approached to sell out by a much larger eastern concern, with the tacit threat that if they did not sell the eastern firm was in any event going to open up in competition and give them a bad time. The young accountant remarked, "This only confirms something which I have always believed, that the small man has no chance against the big. Business is bound to get more centralized." In my experience this is not true. The small, hard-hitting, carefully controlled, well-managed organization can usually meet the competition of large and necessarily cumbersome competitors. In fact, the tendency in the last few years has been for substantial industrialists to decentralize their activities. There is always a limit to the ambit of effectiveness of any one mind, or any group of minds. Most of the businesses with which I have been connected started out in a very small way; if we became medium-sized, it is because we were more efficient than our gargantuan competitors. Most of the clients of our chartered accountancy firm were very small operators in their early stages. As they have grown, so has our firm grown. If one has to have competition I prefer it to be a very large organization which will tend to be less agile and more inhibited than my own. What I say about a business, I believe to be true of Canada. We do not need to be concerned at being a small country bordering a very

large one if our educational system is as effective, if we are assiduous in research and development, if we are continuously improving our technology, if we invest skilfully and in depth, and if we plan our economic affairs as I think the affairs of a well-run business should be planned. Economies of scale should not be overlooked, but they are not a sacred cow

# 9

## CIVIL OR SERVANT

WHEN WAR WAS DECLARED IN 1939, LIKE MOST CANADIANS I HAD only very vague ideas about the administration of enemy alien resources during wartime. I knew that the War Measures Act immediately came into force, and it was illegal to trade with the enemy. I had read or heard vague references to economic warfare, and the pressure placed on neutrals to discourage the supply of essentials to enemy powers. It was all, however, not a matter to which I had given much thought, or of which I had any special knowledge. Consequently, when I received a wire a day or so after war was declared that I was being appointed the Agent of the Custodian of Enemy Property in Alberta (an appointment which I immediately accepted), I realized that I was approaching a new and challenging experience. In fact, my first duties coincided with the arrival of a copy of the War Measures Act and Regulations respecting Trading with the Enemy. The Act itself seemed like a very formidable document, but I had just completed a perusal of the Regulations when I received a call from the Mounted Police to say that they had interned two Germans who had been on a big game hunting trip in the Northwest Territories. Attended by a junior, I put the Act and the Regulations in my brief case and went to the Mounted Police barracks. The police were very co-operative and placed a small office at my disposal, and the two internees, Dr. Shaurte, a wealthy manufacturer of nuts and bolts and secondary steel products, and Count Von Hoensbrock, an author and world traveller, were

brought in under custody I was afterwards informed that they were the two most valuable civilian internees in the custody of the allied powers up to the entrance of the United States into the war, and I have been told that they were traded for the Trade Commissioners' staffs of England, Australia and Canada, who did not possess diplomatic immunity and were interned by the Germans on the invasion of Norway.

In any event, we proceeded to list the very fine collection of guns, rifles, cameras, binoculars and film, both developed and undeveloped, which were in their possession, taking care to list meticulously the numbers and the make of each piece of equipment. Dr Shaurte spoke English very well, but his companion, the Count, was much less fluent. We took possession of the equipment, which incidentally was sufficiently valuable that when I arranged to store it in Edmonton the storage company insisted that a special insurance policy be taken out, as it was felt their existing coverage would be inadequate. Appraisals which I had made by experts confirmed that the items were particularly valuable. I then asked Dr Shaurte if he and his companion had any other assets, such as currency. They opened up their pockets and handed over several hundred dollars in cash, for which I gave them a receipt. They also had a substantial amount of money in American Express travellers cheques, which, however, were only negotiable at The Royal Bank of Canada in Montreal, Winnipeg, and Vancouver. At my request the Mounties provided a car and an escort, and we proceeded to the manager's office of the Edmonton Branch of the Royal Bank, and were duly shown in. I explained to the manager, Glen Nickerson, that I wished to negotiate these cheques immediately, and asked him whether it would be possible to telephone their Winnipeg branch and obtain permission. Receiving an affirmative reply, and a telephone call having been made, I asked Dr Shaurte to endorse the travellers cheques.

At this point an interesting conversation ensued. Would I, asked Dr Shaurte, guarantee that if he turned over this money to me I would see that it was returned to him at the end of the war? I told him, I was acting for the Custodian, and that I could make no such commitment, that the position would depend upon many things,

such as who won the war, the nature of the peace terms, and the provision for reparations. We were simply performing the functions of a Custodian, the ultimate disposition would depend on the instructions we received. Dr. Shaurte then leaned back and told this story.

"When the last war broke out," he said, "I happened to be in Paris. I lost a lot of money when England went into the war, and a substantial sum when the United States went in. The only reason I was able to start up in business again was that I had memorized the numbers of my French securities, called in my *avocat* and got him also to memorize the numbers. After the war, on the issuance of affidavits, we were able to substantiate that the certificates had been destroyed, and new ones were issued. It was these funds that enabled me to recommence operations in the twenties, and I have attained considerable success once again." He ended up by pointing out that the American Express Company was an American company, and he felt that the status of the money was in a neutral nation. I took a different view. These were negotiable instruments, and they were actually in Canada. It seemed to me that my duty was to take possession of the funds on behalf of the Custodian. After a long but reasonably amicable discussion Dr. Shaurte decided to endorse the cheques, and they were duly deposited in the bank.

When we got back to the police barracks Dr. Shaurte asked permission to see the Superintendent of the C. I. Branch. He then made representations that he and the Count had held high office in the German army during the First War, and under the Hague Convention were entitled to special treatment. The Superintendent took a different view. He pointed out that the differential in treatment between officers and men provided by the Hague Convention applied to military personnel. They were being interned as civilians, and were going to a civilian camp. No special facilities could be made available to them.

Dr. Shaurte then made another attack. "I," he said, "suffer from stomach ulcers, my friend the Count has a stomach condition, which is even more severe, and is suspected of being malignant. I am afraid if we are subjected to the usual diet in the camp we will not long survive. Will you, from our funds in your custody, make arrangements for a special diet to meet our medical requirements?"

This ball was pitched to me, and I felt it was rather a knotty problem to meet on such short experience. On the one hand, I was not at all sure that the Custodian in Ottawa would look with favour on the disbursement of funds for foodstuffs and drugs. On the other hand, I was conscious that these were two very valuable internees, and if their story were correct and they seriously suffered from the camp diet, I might be subject to some criticism. I finally, as I thought, composed the matter by saying, "This is a matter on which I will have to get instructions from Ottawa. In the meantime, and until I get those instructions, you may appoint an agent in this city to buy your special diet requirements, and I will honour the agent's bills if they are forwarded to my office." On this basis the matter was left. I shook hands with the two internees, and they went to the camp that night.

A week later all hell broke out one morning. When I got down to my office Jo Connolly brought in a large pile of bills covering such delicacies as T-bone steaks, asparagus, *pâté de foie gras*, and generally a whole range of foodstuffs which did not seem to be compatible with a malignant stomach condition. About the same time I was told that the Camp Commandant was trying to get me on the telephone. I talked to the Commandant, who was understandably rather irate. The prisoners, he said, were eating much better than the guards. Shipments of groceries were coming in daily. They also, he complained, had succeeded in obtaining possession of champagne, and were holding epicurean dinners every night. It was causing him grave difficulties, not only with respect to the prisoners, but by virtue of declining morale in his own troops. In the middle of this conversation Glenn W. McPherson, then the special counsel to the Custodian, walked into my office on an organizational and inspectional tour.

Together we assured the Camp Commandant that we would immediately take steps, and Glenn, a well educated and charming young Scot, and I sat down to have a chat. The first thing we did, of course, was to cancel the special arrangements, and we both had a good laugh.

Glenn spent a day with me, and I carefully went over the procedures we were adopting for the efficient administration of the

estates which came under our hands. He also told me that I might from time to time be required to make investigations where there was suspicion of trading with the enemy. These illicit transactions were usually made through neutral countries, particularly through Italy, which at that time was not in the war, and through South American countries.

There are two further comments respecting the Shaurte and Hoensbrock situation. They obviously had influential friends. I received a telephone call from the President of the Yale & Town Manufacturing Co. in the United States, who said that he had been an old friend of the internees and asked me to do everything I could for their comfort, saying that his company would be prepared to supply funds. I told him, of course, that I was simply the agent of the Custodian of their property, and they, I was sure, would be accorded the usual amenities of alien internees. Mr. Tilley, a very outstanding lawyer in Toronto, was retained by Dr. Shaurte. I had some correspondence and telephone conversations with him. Shaurte mentioned, too, that Cordell Hull, the Secretary of State of the United States, and Montague Norman, the Governor of the Bank of England, were both close friends, but I had no correspondence with them.

When I visited them at the camp some weeks later I was interested to notice that they had adapted themselves to their environment in a very interesting way. They were both well educated men, and were operating almost a small university in the camp, giving lectures on geology, science, philosophy and other matters.

There is one further sequel. I have already mentioned that during our operation of Premier Steel Mills, Gerry Heffernan, Alex Hamilton, and I were in Dusseldorf for conferences with Phoenix-Reinwald and Thyssen. As we were just entering the secondary aspects of steel manufacturing, including nuts and bolts, Jerry asked if arrangements could be made to go through a typical factory of that type. Arrangements were made, and it turned out to be the one owned by Dr. Shaurte, who was then on a big game hunting expedition in Africa. His son was in command. When Mr. Shaurte Jr. heard the name Edmonton, he asked Gerry and Alex if they knew



me, and he sent me the affectionate respects of his father, and presented me with a photograph of him, which I still possess.

The work of administering the affairs of internees was interesting, and I was impressed by the varying degrees of organizing ability they possessed, and the degree to which we seemed to be able to count on their neighbours for co-operation and support. Usually the internees, mainly farmers, had full knowledge of their affairs, and were prepared to advise us on the maintenance and disposition of their livestock, treatment of their land, and where we could go for reliable tenants or hired men, generally, they seemed to have a good grasp of their affairs and could see the importance of co-operating with us in maintaining and safeguarding their property. In a few instances we were faced with complete emotional breakdowns, and they were unable to tell us what to do. If possible, of course, we utilized relatives of the internees — sons, daughters, or brothers — to carry on the affairs under our supervision, being careful to keep close watch and get regular reports. In one instance, a couple were taken off the farm, and a neighbour who was only remotely connected by marriage undertook to manage the affairs under our supervision. The neighbour turned out to be a much abler farmer than the internee, at the end of the war everything was in a very much more prosperous condition, and the farm was in much better physical shape than before the internment.

We were instructed by the Custodian to maintain the wives and families of internees, if they had any, out of the income from the farms or businesses. I suppose it is natural that we were faced with the usual gratuitous representations from people who thought that the dependents should live at the expense of the people of Canada much more luxuriously during internment than they had before. Professional "do gooders" get me down. I can remember one busy-body who haunted my office on behalf of the wife and children of an internee who were really being very well taken care of, to the point where I had to ask the R.C.M.P. to intervene and throw him out of my office.

At the very outset we were conscious that we had a grave responsibility in administering these estates, that we were handling other peoples' money and affairs, that the Custodian in the person of the

Secretary of State was answerable to Parliament, and that every step we took must be supported by rational thinking. Accordingly, we took careful inventories and gave receipts for the property we took over, kept the funds, of course, in separate trust bank accounts, accounted for the property in a meticulous way, and even went to the length of maintaining memoranda on files of all interviews we had respecting the estates. This latter habit turned out to be a fortunate one, as I shall recount later on.

My duties as agent of the Custodians involved mainly the management of the affairs of any enemy aliens interned by the Canadian authorities in Alberta. Later on, when Russia and Germany signed a non-aggression pact, certain organizations were described as illegal, including the Ukrainian Labour-Farmer Temple Association, which was said to be dominated by Communists, Jehovah's Witnesses, who doctrinally advocated pacifism, and Technocracy, which was thought to be fascist in its concepts.

When we took over the so-called enemy organizations we found that the Ukrainian Labour-Farmer Temple Association had many halls, which were used for meeting purposes and sometimes for class rooms. There were, in fact, several dozen scattered throughout Alberta, including two fairly large halls in Edmonton and Calgary. In Edmonton the hall was located in a somewhat nondescript area of the city, and comprised an auditorium on the main floor, classrooms and library in the basement, and rooms or suites on the second floor, which were rented for the purpose of paying janitation and other occupancy expenses. When we took over this hall I attended with an R C M P officer, met the officers of the illegal organization, and the caretaker, immediately issued instructions for an inventory to be taken of all the furnishings, and an independent appraisal made of the land and building. I also requested the Mounted Police to go over the library and remove and hold in custody any books they regarded as subversive or contrary to the national interest during time of war.

I then retired to my office, taking the officers of the illegal organization with me, I held a long interview, of which I kept a complete memorandum, respecting their ideas about the best procedure for preserving the property of the organization. In the result,

I recommended to Ottawa that we should continue to rent the second story suites and rooms with a view to meeting the carrying charges. In a few weeks, however, we received some rather disturbing rumours. It appeared that some of the upstairs rooms were being occupied by females of unsavoury reputation. I discussed the matter with the Mounted Police Superintendent, and was informed that it would be almost impossible to screen all tenants respecting their moral character. Furthermore, other difficulties had arisen with respect to a considerable part of the building standing idle — necessary repairs and maintenance and so on — and after due consideration and discussion with Winslow Hamilton, it seemed to me that the best way of protecting the interests of the illegal organization would be to convert the property into cash. I travelled down to Calgary and found that somewhat the same situation obtained there. Accordingly, I wrote the Custodian in Ottawa and made my recommendation giving him full details as to why I felt this would be a sound procedure, and advised him that in my view the matter was urgent. After several weeks, having received no reply, I wrote again, referring to my previous letter. When I still received no reply, I wired asking the Custodian to give attention to my respective letters. I then received a letter back from the Custodian, which I thought failed to grasp the essentials of the situation, asking why I felt this move should be made with such expedition. I replied that I felt concerned about the explanation which the Secretary of State might be forced to give in the House of Commons if somebody rose to ask him if he realized he was operating disorderly houses in Edmonton and Calgary. I got a wire back that night instructing me to go ahead along the lines of my recommendations.

There was an aftermath to this incident. Shortly after Russia came into the war, the Ukrainian Labour-Farmer Temple Association was legalized and a lobby developed supported by questions and speeches in the House for the return of the property throughout Canada, and for compensation to the illegal organizations for what was alleged to be incompetent administration, and activities beyond the implied powers of the Custodian. Amongst allegations that halls and property had been sold for a fraction of their real value, it was also represented that agents of the Custodian had burned or des-

stroyed valuable libraries in a ruthless manner. As a result a committee of investigation was appointed, comprising a district court judge from Saskatchewan, a lawyer from the east, and a prominent Edmonton citizen. Hearings were held throughout Canada, and in both Calgary and Edmonton, at which of course I appeared. I called before the Committee prominent and well respected real estate valuers who gave evidence that they had valued the property and approved the price and terms of sale. I was also able to show that the former officers of the illegal organization had been kept fully informed. I can recall that at the Edmonton sittings the former secretary of the illegal organization described how he had seen a blazing fire in the furnace of the Edmonton hall, and somebody shoving into it works of Shakespeare, Milton, Dickens and other great writers. I was astounded at this statement and pointed out to the witness that I had asked him and he had agreed to give me any information on any matter which might adversely affect the conservation and preservation of the assets. "Why," I asked him, "did you not immediately get in touch with me?" His reply was that this had happened before he had met me. I was then able to turn to my file and produce a memorandum to show that he had met me on the day I was instructed to take over the property, and if any such fire had taken place it must have been before the Custodian was in possession. The report not only exonerated our administration, but made some complimentary remarks as to the way we had performed our duties.

I also travelled to view and assess and take over the halls at country points. In many instances the situation interested me very much. Bess accompanied me on this motor trip.

In the Peace River country the hall would often be located on rather a desolate piece of country several miles from the nearest habitation. Here, once a week or oftener, the settlers and their families would meet to see a moving picture, hear a lecture, attend a dance, or enjoy social functions. It soon became apparent to us that these halls were a candle, lighting rather drab lives. As I talked to local officials—secretaries, presidents—we were impressed by a feeling that Communist ideology was not the prime consideration. People were looking for a release, for entertainment; in short, for

cultural activities. In discussing this matter with the Mounties in Edmonton I had been informed of their opinion that the U.L.F.-T.A. had started off as a perfectly legitimate mass language organization, but that the Communists had seeped in, and gradually taken control. I had almost a feeling of guilt as I took over the keys to the respective halls, telling the local officers that the Custodian was now in control, that the building they had themselves constructed was no longer in their possession, that the centre of their community activities no longer functioned, that they had no place to look forward to taking their wives and their families next Friday or Saturday night. As we drove over the Peace River country Ben and I discussed the problem. This undoubtedly was a subversive organization, dangerous to Canada, but we felt that these kindly homespun settlers, living miles away from movie shows, churches, dance halls and university lectures, were really no danger to Canada. Surely it was the responsibility of our government if it removed this subversive influence, to put something much finer in its place.

When I returned to Edmonton I wrote to the Custodian and gave him my impressions. I pointed out that the halls had in many instances been erected and decorated by the settlers themselves, that they were in fact an expression of their desires to make human contacts and to obtain some rapprochement with the outside. The Communists had moved in where we, as Canadians, had left a vacuum. Now, I suggested, was our opportunity. We should not close the halls, but rather we should keep them open, utilize the facilities to supply cultural activities, lectures, good music, and movies, which would tend to give the settlers an appreciation of what Canada is, the many fine things we stand for, and the ideals of democracy which we were fighting for at that time. I suggested that the Extension Department of the University might be utilized to give programmes at least once a week in the halls — programmes of good lectures, good music, good movies, which would tend to cement the bonds of Canada, and make these Slavic people proud of their adopted country, rather than orient them to a foreign outlook. I enclosed in the letter a verbatim record of several interviews I had had with secretaries and other officers of U.L.F.T.A. locals,

which made it quite clear that they had no knowledge whatsoever of Communist ideology

I received a reply from the Custodian's office. The communication had come to the attention of one of their temporary staff, ordinarily Dean of Law at, I think, Dalhousie, who expressed enthusiastic accord with my point of view, and asked me to interview the officers of the University to see whether anything could be done. Accordingly, I approached my friend H. H. Parlee, the Chairman of the Board of Governors, Dr W A R. Kerr, the President of the University, and Donald Cameron (now Senator Cameron), the Director of the Extension Department at the University. I showed them copies of my correspondence with the Custodian's office. They all felt that the University could perform a very useful function, and further not only the war effort, but an advance in Canadianism. I wrote back to the Custodian's office to say that I was informed that the University of Alberta was prepared to play its part. I received no reply. I wrote again, and requested information as to progress, but I was ignored. I then heard that the author of my letter from the Custodian's office had retired and gone back to Dalhousie. Months passed, and I met with procrastination and delay.

Some months afterwards, it happened that Mr Parlee and I were down in Ottawa and decided to call on the Custodian and see what had happened. The interview was very unsatisfactory. It was perfectly clear that my proposal would be regarded as an invasion by the Dominion authorities of the educational functions traditionally performed by the provinces. No matter how beneficial it might be to Canadian nationhood, it was one of the many developments in Canadianism which were sacrificed on the altar of provincial autonomy.

My work with the Custodian brought me into contact with several French-speaking civil servants, and for the first time I came face to face with the abiding national problem of dual language and habits.

That French-speaking Canadians have a language which is well worth preserving, with a wealth of literature and philosophy, is unquestionable. Every cultivated man should have two languages.

That they have a special culture which is rather delightful and which can be helpful to all of us is barely debatable. I am reminded of a remark once attributed to W. MacIntosh, former principal of Queen's University: "There are," he said in effect, "two aspects to living standards. There are the monetary standard and the psychic standard. The American likes longer fins on his car, racing stables, impressive cruisers, country clubs. The Frenchman likes his wines, his cafe, good meals. Who is to say who is right? Who is most satisfied?" Yet one demands a much higher money income than the other. What does concern me is, what seems to be an insular attitude that Quebec is the only section of Canada which faces problems. Problems must be solved, not by running to governments, but by the superhuman efforts of Canadians. It is trite to say that I have many lovable and admirable French-Canadian friends. Our accountancy firm has offices in Quebec. We have a successful industrial operation in that province. We do business there as we do elsewhere in Canada.

All this reminds me of a rather interesting conversation between a western businessman and a very charming French lady.

"What," said she, "do you think of the French question?"

"What," said he, "do you think of the western question, and the maritimes question?"

"Oh," she said surprised, "do you have problems?"

"Of course we have problems. Many of them. We are a long way from the financial centres. Very large lines of credit, public financing, big mortgages, even massive insurance protection must be negotiated in Toronto or Montreal. Our senior partner, who takes over fifty per cent of our profits lives in Ottawa . . . close to you, but far from us. We have to go and see him now and again. It is a long, arduous trip for us, but a short drive for you. The secondary industry section of Canada is between Owen Sound and Quebec City — substantially in your province. You have available markets, know-how, low transportation. For many years we were a purely agrarian economy, but we are licking our problems. It requires just a little more work, a little more ingenuity, greater productivity. The Maritimes?" — warming to his subject. "No area of Canada has made greater sacrifices for Confederation, this magnificent entity we call

Canada. They have the lowest standard of living in our country. But they are quietly overcoming their difficulties. Their problems are covert, rather than overt."

"Oh," said Madame, "but you do not have a language problem."

"On the contrary," said the westerner, "we have a language problem — you don't. You can speak your language amongst yourselves, in your courts, the Supreme Court of Canada, in Parliament. We get no opportunity to speak French — you have plenty of opportunity to speak English. Many of Canada's best civil servants have come from the maritimes and the west. In the future top civil servants must be bilingual. Canada will deny itself many fine public servants, and to the extent that our sections are represented by the civil service, we will be unrepresented and Canada will suffer. We are the ones with a language problem. You do not send out teachers to help us solve our language problem. You stay at home like a Hindu fakir and contemplate your navel."

All this is probably an over-simplification. It may be that constitutional and administrative adjustments will necessarily be made. Personally, I feel that with ingenuity, skill, education and devotion there are no problems in Canada that we in time will not solve. Mike Pearson, in his wisdom, knows this. Said Kipling, "If you can keep your head when all about you are losing theirs and blaming it on you, . . . you'll be a Man, my son!"

Kipling is a man who has been too often misunderstood, possibly because in coining the phrase "the white man's burden", he implied an unfortunate concept of racial superiority. But we all have the burden of affluence, individually and nationally. We have the burden of a Greek heritage, the first western civilization which emancipated itself from superstition, priest-ridden government, and turned to the intellect. We have the burden of Bach, the father of all modern music, the burden of Michelangelo and Titian. The burden and responsibility, in short, of maintaining and developing western civilization. The Americans who have criticized Kipling now recognize this burden, but have tended to give it a purely financial connotation — they call it "The Marshall Plan", or "Foreign Aid"



# 10

## THE PUBLIC HAS ITS RIGHTS

AS OUR PRACTICE GREW IN EDMONTON WINSLOW HAMILTON AND I had several discussions respecting our responsibility to our community, to our province, and to our nation. We decided that it was important for a firm such as ours to take an interest in the Chamber of Commerce, and in welfare and cultural organizations. We had no illusions that our influence would be significant, but we did feel that we had a duty to do what we could.

Early in our history the Rowell-Sirois Commission held hearings up and down Canada. John Blue, secretary of the Edmonton Board of Trade, and John Imrie, the publisher of the *Edmonton Journal*, were appointed to head a committee to make representations to the Commission on transportation. Mr. Imrie approached us with the request that we would prepare certain statistics to support his brief, and generally assist him in preparing the document, the Chamber was prepared to pay us a fee of \$500 for this work. We accepted, and threw ourselves whole-heartedly into the task. I will never forget the hearings in Edmonton with that very able man, Mr. Justice Rowell, presiding, the redoubtable John Dufort of the *Winnipeg Free Press* on his left, and Mr. Justice Sirois on his right. There, too, for the first time I met Bob Fowler, Secretary of the Commission, a very able and personable young man. My wife's comment has lived ever since. "Is Mr. Fowler," she said, "a young old man, or an old young man?" He was, of course, and has always continued to be an "old young man". John Imrie's presenta-

tion was excellent and the Commission stood aghast at the illustrations he was able to present of the transportation difficulties under which the West laboured. When our work was completed we received a cheque for \$500. I said to Winslow, "What shall we do with it?" It was Winslow's suggestion that we should send it to the Chamber of Commerce fund, which was being collected by Victor MacGosham to finance the representations.

From that time on we became more and more interested in Chamber of Commerce work. In particular, I sat on the Taxation Committee, and in fact in a short time became chairman of that committee. It made representations on such matters as the taxation of co-operatives, the pay-as-you-go plan, special depreciation allowances to encourage industry, the averaging of farmers' incomes, and other matters which we felt were important not only to Edmontonians, but to our fellow Albertans and Canadians. We endeavoured to raise the sights of our Chamber to view the interests of the province and of the nation. There was, we felt, too much of an inclination for the Chamber to become local and insular in its outlook.

In due course I was elected a third vice-president of the Chamber. Jim Walker was the president, Clarence Jacox was first vice-president, Charlie Garnett the second vice. In the course of time I became president of the Edmonton Chamber in 1948. During that year, inspired I think many times by Winslow, we developed new concepts and new ideas. One was a Friendship Train to the Peace River country, concerned in interesting the Chamber in the problems of the Peace River area settlers, and ascertaining how Edmonton businessmen could serve them to better advantage. On the Friendship Train we took the Mayor of Edmonton, a representative of the University, leaders of large businesses throughout the province, the general manager of the Northern Alberta Railways, to say nothing of Tom Campbell and his favourite haggpiper. We were received with enthusiasm wherever we went, and we enjoyed a very happy week.

Possibly, however, the highlight of the year was the opportunity to entertain a trainload of Canadian Chamber of Commerce visitors from Eastern Canada, including many French-Canadians, for a

day in the city, with a luncheon at the Macdonald Hotel and cocktail parties in the homes of Edmontonians. Ben and I joined the train in Edmonton and travelled to Vancouver. At Vancouver I was asked to let my name stand for the following year, 1949, as vice-president of the Canadian Chamber, and in 1950 in Banff I was elected President of the Canadian Chamber of Commerce, the highest office in the gift of Canadian business.

There is one incident which stands out in my memory. When I came from the convention in the fall where my election had been announced and where I had made a short acceptance speech (a speech based on the theme "An Adventure in Canadianism"), I found in my suite several hundred wires and letters of congratulations. The first one I opened was from Montreal — from a labour leader, the President of the Machinist Union with whom I had negotiated at Northwest Industries.

I know of no area of business in which there tends to be quite as much misunderstanding, quite such a failure of communication, as there is between business leaders and organized labour. There are exceptions, of course, certain companies have succeeded in developing a very happy relationship not only with employees as a whole, but also with labour leaders. One aspect flows from another. Generally, if the employees are happy, satisfied, then the labour leaders tend to realize that their own interests demand a compatible and friendly attitude towards executives of the business. Naturally *vis-à-vis* labour I harbour the occupational bias of a businessman. On the other hand, a skilled negotiator should always try to understand the attitude, aspirations, and peculiar problems of the other side. Closed minds encourage conflict.

When I was a member of the Economic Council of Canada, and also a member of the International Committee of the C. D. Howe Foundation, I had the opportunity of meeting and liking a substantial number of labour leaders. Some of them became close friends. On the other hand, I cannot feel that the various unions in the post office have added appreciably to the well-being of Canadians. In my youth it was regarded as a privilege to be a post office worker — a civil servant. A badly or inadequately addressed letter was regarded as a challenge. They had a "creative urge" to serve. Today, many

post office workers (not all, but many) have the attitude "the public be damned!"

What is true of the post office is also true of many civil servants in the lower echelons. It is tragic to think of an ancient and honourable profession such as teaching, reaching back to Democrates and Socrates, depriving the students of the knowledge to which they are entitled. Workers in public service and/or essential industries should not be allowed to strike. They are striking against their customers, not their employers. They should not be exploited, but on the other hand, they should not be permitted to form unions. Some other method of arriving at a fair and reasonable solution must be found. Labour Courts? Perhaps, but if so, they must be prepared to act expeditiously. Arbitration Boards? They also should be chosen carefully and act without bias.

At the present time our Federal Government has negotiated — with our largest customer and trading partner, the United States — a free trade agreement. The agreement has not yet been ratified by the legislative bodies of both nations, but as a westerner and a free trader I fervently hope that Canada and the United States will be able to enter into a customs union. Secondary industry in Eastern Canada has long complained that it lacks a large market which would enable it to specialize and reduce costs. Here is a fabulous market which would be open to a Canada that possesses low-cost power, a well informed labour force and "creative minds." The resource industries in Canada live in terror that the Smoot-Hawley tariffs, which certainly contributed to the depression of the thirties, are not repeated. Canada needs markets and the United States needs natural resources, water and power. Those who express fears that Canada would lose sovereignty or independence are not knowledgeable in either economics or history. England had the best standard of living in the world when she embraced free trade, not when she became a protectionist nation.

Then there are those business and labour leaders who express fears of increased unemployment, particularly in our secondary industries. Not necessarily, for wider markets may increase sales and production. In any event, Canada now has more employees in the tertiary or service industries than in the primary or secondary

industries. In our steel and lumber companies through new technologies and ingenious inventions, we have been able to steadily increase our output per man hour. Increased or even maintained employment in secondary industries per unit of production is not the answer. We must become ever more productive — more competitive. Above all, we must spark the creative urge in our labour force. Finance is fun — if it is creative. Gardening is fun because it is creative. So is cooking, teaching, steel making — all work is fun if it has the right impulse. I do not mean that we should heedlessly increase our staff of civil servants or that we should pay for unnecessary work. But if we increase the productivity of our primary and secondary industries, we will be able to afford more teachers, smaller classes, more research scientists, more money for the arts in all forms — there are so many fascinating things to be done. Over all, let's imbue every Canadian with the "creative urge." If we do enter into a customs union with the United States, there may be a necessity for a period of limited government intervention to iron out difficulties caused by temporary disruption in certain areas of business and employment.

One of my favourite biographies is that of John Maynard Keynes. He possessed a particular skill in committee, it is said, because he accepted other people's contributions to his ideas, and had no abiding pride of authorship. Keynes made a very useful economic analysis, largely, I think, because he differentiated between so-called over-production and the necessity of maintaining the demand sector in the economy. The Keynesian analysis has contributed much to western society, but there is no one Messiah or prophet of capitalism, and Keynes' doctrines require modification to meet the changing needs of economic growth. His fundamental concepts with respect to demand, however, are still useful, and are well summarized in Kelso and Adler's *The Capitalist Manifesto*, page 7.

1. Mass consumption is necessary if all members of a society are to have a high standard of living. What is more significant, mass consumption is necessary to support mass production in an industrial economy.
2. But mass consumption cannot exist or continue unless there is a mass distribution of purchasing power.

- 3 The proper method of creating a mass distribution of purchasing power is mass employment: i.e. "full employment" or the employment of every person who would like to be employed.
- 4 Since prosperity and well-being depend upon the successful distribution of purchasing power, this can be achieved through progressively raising, by union pressure and legislation, wages, social security payments, unemployment compensation, agricultural and other prices, and through the free use of income-taxing power and other powers of government to promote full employment.

In the nineteenth and the early part of the twentieth century periods of prosperity and intensive economic growth were undoubtedly followed by an excessive concentration of wealth and incomes. Inevitably depression followed. We still have periods of unemployment, inadequate demand, excessive inventories, but those responsible for governing the economy move, by various techniques, to stimulate demand, encourage employment and growth. The subject can be illustrated by a not too imaginary conversation between a conservatively-minded and a liberal-minded businessman:

- C. Isn't it awful the way the government keeps spending money on welfare, pensions, medicare, education? Where is it all going to stop?
- L. It is true that total government expenditures in Canada are a few points, as a percentage of gross national product, higher than those obtaining in the United States at present. But Canadian governmental expenditures (all government) are lower for goods and services, and higher for transfer payments.
- C. Transfer payments indeed! If they take too much money out of me, how can I invest in plant and facilities to increase production and provide employment?
- L. What is the use of your investing in plant and equipment if the public is unable to buy your product? We businessmen want economic stability. Steady demand is essential to our businesses. Besides, we Canadians are good savers, we save a significant proportion of our gross national product. Capital intensity in Canada per worker is higher than in the United States.

- C. But this so-called transfer payment procedure never can and never will decline. The public demand more and more in the form of pensions, health and welfare programmes, and so on.
- L. It can decline as a percentage of our national product. At the present rate of growth we double our production of goods and services every thirteen years. If transfer payments were not increased materially, they would significantly decline as a percentage of our output in a few years.
- C. But the government always goes overboard. It follows the easiest and most popular course.
- L. The government in modern times is the overall manager of the economy. Sometimes it makes mistakes, it does go overboard. It is up to you and me to advocate wise policies which will stimulate demand when necessary and curtail demand as occasion may require. Excessive demand means inflation. Inadequate demand, unemployment.

So the argument goes on and on. Present day management of a nation's affairs requires wise heads and steady hands.

There have been instances in the present day in which excessive governmental expenditures on both goods and services and transfer payments as a percentage of the gross national product have caused inflationary pressure. Indeed, we seem to have passed that point at the time of writing. On the other hand, there have been instances, too, in which unemployed and unused resources have required a stimulation of demand. The generic management of an economy is like driving a six-horse team—sometimes it is desirable to hold one or two horses back, sometimes the whip should be given to others. It is rather a skilful proceeding, and it is no wonder that occasionally mistakes may be made. For instance, Walter W. Heller, the former Chairman of the Council of Economic Advisers in the Kennedy and Johnson administrations of the United States, takes credit in his book (*New Dimensions of Political Economy*) for stimulating demand in 1964 by the reduction of taxation in spite of a substantial government deficit. There are other techniques, of course, that could have been used, including increased governmental expenditures. Heller felt that tax reduction would be more effective, and at this time it would seem that history will tend to support his judgment.

Returning to Lord Keynes, he died a millionaire, for he had a keen sense of economic timing, could foresee events and display acumen as to when to buy and when to sell. In this particular our group has been rather successful, as I have tried to show in Chapters 5 and 6. We went into wholesale textiles at the right time, and we sold at the right time. The same is true of aircraft and steel, where we have not continued to operate. Whereas our judgment has not always been impeccable, we nevertheless have had an appreciation of flowing events, and have generally been right.

In my year as president of the Canadian Chamber I made many friendships which have lasted throughout the years. Fred Cunningham, the Vice-President of the Sun Life and Chairman of the Executive Committee of the Chamber, is one. Fred was a very sound, very able person, and he, an easterner, and I, a westerner, saw eye to eye on many of the problems which face that "salade" which is Canada. Amongst other things, we were concerned that the manifold appeals to business and the conflicts which must necessarily arise because local Chambers of Commerce and the provincial Chamber of Commerce, the Canadian Chamber of Commerce and the International Chamber of Commerce were heterogeneously involved in the public mind. The greatest difficulty, we thought, was a measure of conflict between the provincial Chambers and the Canadian Chamber.

In the result we evolved a scheme whereby the Canadian Chamber would provide organizers and secretarial staff for the provincial Chambers, and in return the provincial Chambers would undertake to make no direct appeal for funds to business organizations. We travelled up and down Canada, met the officers of provincial Chambers, and finally persuaded them to accept this concept. The Chamber of Commerce movement would be represented secretari-ally by one office in each province, and by a national office in Montreal. The provincial offices would supply research, public relations, and organizing skills to the provincial Chambers, who would, however, be autonomous in their own right, and would possess the privilege of making representations to the provincial governments of the respective provinces. The Canadian Chamber, on the other hand, would confine itself to wholly national prob-



lems. I was concerned that the identity of interest of small business and large business throughout Canada should be evident. I felt some alarm that the Executive Council in Montreal, representing itself as the Council of the Canadian Chamber, should make representations to Ottawa without the sanction of all the members. For this I found support in Fred Cunningham. During the year I travelled up and down Canada from Newfoundland to Victoria, and as far north as Coppermine in the Arctic. I made hundreds of speeches, some of them rather platitudinous, many of them very bad, but several, I venture to hope, at least a bit inspiring. I also inaugurated a rather new concept. Everywhere I went I called on universities, and spoke to Commerce students and those studying political economy. I invited discussion, and defended, or endeavoured to defend, the price and market system.

The Annual Meeting of the Canadian Chamber is an interesting event. In addition to outstanding speakers at luncheons, and dinners, and on panels, the Chamber commences its activities by convening a phenomenon known as the Policy Committee. This body consists of official representatives from any Chamber of Commerce or Board of Trade in Canada. Thus mighty organizations such as the Toronto or Vancouver Boards of Trade sit "cheek by jowl" with the representatives of small towns. These representatives are usually supported by paid or partially paid secretaries, committee chairmen, and other experts. Each Chamber has the right to speak and each has one vote. The procedure is interesting, discussions carry on far into the night. Sometimes, indeed, the harassed chairman is forced to terminate proceedings as late as four or five in the morning. The appointment as chairman of the Policy Committee (there used to be two), is always accepted with some reluctance, and requires both tact and stamina. As a result, it seemed to me that there is very often a tendency for the conclusions to be somewhat inconsistent, and for the delegates to enter into long exercises in semantics. The secretarial staff of the Chamber are very helpful, but incline quite properly to take a detached attitude, and attend only for the purpose of recording and referring to historical data. I felt, and still feel, that the Chamber would benefit by a staff of trained economists and statistical analysts, who would iron out inconsistencies

and keep business Canada informed on short-term economic trends.

This feeling was further intensified when I became a member of and ultimately chaired some of the standing committees of the Chamber, notably the Canadian-American Committee (a joint committee with the United States Chamber of Commerce), the Anglo-Canadian Committee (similarly with the British Chamber of Commerce), and so on. We endeavoured to keep informed, by meetings with senior civil servants of Canada and by borrowing trained economists employed by banks or other large members of the Chamber. Sometimes, too, governmental experts were kind enough to attend meetings of the committees and advise us on matters about which they were particularly informed. Nevertheless, I did feel, and still feel, that more intensively trained professional expertise is needed.

After retiring from active Chamber of Commerce work I was invited to become a member of the Private Planning Association of Canada, and joined its two committees — The Canadian-American Committee and the Canadian Trade Committee. In many respects the Private Planning Association captured my imagination and support because it had tended to fill this deficiency, employing trained economists on its staff, and paying substantial fees to professional men to undertake reasonably exhaustive research into Canada's economic problems, domestic or international. Following this I was invited by the Prime Minister of Canada to become a member of the Economic Council of Canada. This body, of course, is equipped with a well-trained staff, possesses the resources to get the best possible advice, and has permanent members and a chairman (Dr Arthur J. R. Smith), who are themselves experts on the medium and long-term trend of Canadian business activities. There still remains, however, a very important place for the Canadian Chamber of Commerce. There is, as I have said, a national necessity for a symposium of businessmen. I repeat that I would like to see it become somewhat more expert on the short-term economic outlook. What I have said with respect to the Canadian Chamber of Commerce and the nation applies to many of the local boards and chambers in their respective communities.

I think it was Professor Angus, a political scientist, who pointed out that whereas Canadian nationhood is undoubtedly developing, it is not doing so "through an abiding faith in its military effectiveness face to face with competitive powers, nor with a desire to protect and develop a distinctive nationalist culture in the arts and letters and music, for we have the evidence of a Royal Commission that our national culture is sparse, if non-existent. An ardent Canadian nationalist would find it difficult indeed to name a national hero, an artist, a soldier, a religious leader. Here is a nation which has no sense of mission, no golden age, no pride of race, no religious bond, no glorious cultural performance, and yet it exists, its nationhood develops." It seems to be based on a justifiable pride of achievement, both collective and individual, on the solid relationship nicely balanced between individualism and collectivism, between free enterprise and the welfare state. In developing Canadian pride the business man has played an important part. Relationships between government and business in this country are unique, certainly in the Anglo-Saxon world, and conceivably in the world as a whole. Business in Canada has a strong and growing sense of community need. Business leaders have a special problem in Canada, and are I think facing up to that problem in an exemplary manner.

Certainly, we have in Canada, and to a lesser extent in the United States, a new type of business aristocrat, if you will excuse me using that term for want of a better. The best business brains in Canada have tended to go into creative industry — production is the thing, primary and secondary and tertiary production. It is demanding the most perceptive business minds and the best business leaders. Banking and merchandising and financing have not attained the prestige and sanctity which they enjoyed in the older and more mature economies. If you pick out ten or a dozen leading Canadian businessmen today, I suggest that a substantial majority of them would represent our larger industrial activities. All of this is in strong contrast to the older civilizations, such as England, where the cultivated businessman often finds his way into distributive and financial activities (banking has the respect almost of a profession), the international merchant, the insurance underwriter — these are the occupations which attract the university graduate, in business

they are a step above the industrial leader, who has usually found his way through the mud and oil of the factory floor.

Now this relationship between business executives and government, whether civil servants or elected representatives, being somewhat unique, is worthy of some consideration. In the United States they tolerate lobbyists, in the United Kingdom it seems to be almost *infra dig* for an ordinary business leader to approach a cabinet minister on matters which he considers important. He must act wholly through his trade or professional organization. Precisely, what is a lobbyist, as the term is used in the United States? Do we have them in Canada? I am told by civil servants that we do not have the type of lobbying in Canada that obtains in the United States, that is to say we do not have the recognized professional lobbyist. Nevertheless, there are many business and trade organizations who maintain professional secretaries, managers, and technical experts, who quite properly make representations to Ottawa from time to time, and who probably enlist the services of the leaders in their particular occupation or business which they represent. When is a lobbyist not a lobbyist? The mere fact that they are formally called professional lobbyists in the United States does not make them any more heinous. Is the paid secretary or manager of a trade organization a lobbyist, or not?

Well, in the first place, there are such organizations as the Canadian Chamber of Commerce and the Canadian Manufacturers' Association, who with some justification undertake to speak on behalf of business as a whole, and I think there is support for the view that the government of the day should be apprised of the attitude of mind of, one might say, the consensus of business thinking throughout Canada. Whether or not these organizations are always sufficiently careful and skilful in obtaining this composite viewpoint is another question. Certainly, a committee formed in Montreal or Toronto is not necessarily very well informed on general Canadian thinking, and should be careful not to over-represent the scope and area of its information. It seems reasonable that an organization such as the Canadian Pulp and Paper Association, which represents an important business and is, I think, the largest exporter of material from Canada, should also feel that it has a

right to speak as a group before the government of the day, and so on for gold miners, base metal miners, railroads, and various other segments. If any of these groups were accused of lobbying, they would hold up their hands in holy horror. I think that most civil servants and most cabinet members would be inclined to agree that it is helpful and useful to get information from organizations of this type. Do we then come down to the point of view that a lobbyist is one who thinks specifically of his own business? If I go to Ottawa as a member of a trade association or represent what I conceive to be the outlook of businessmen throughout Canada in the same line of endeavour as myself, am I presenting a helpful and proper point of view to the government? But if I go on behalf only of my own organization, am I a rather selfish and disruptive lobbyist?

I don't think that is quite the answer either. There are certain organizations who are paramount in their field, or if not paramount, transact such a substantial portion of the business that their views are very well worth while. In the area of automobile manufacturing, for instance, the attitude of mind of General Motors or Ford or Chrysler cannot be overlooked. Then, there are other organizations who depend to a considerable extent on government orders. This is particularly true in defence industries. Is there any particular reason why executives of those industries shouldn't have conversations with civil servants and cabinet ministers, with a view to representing their claims and supporting their outlook?

It is then very difficult to define a lobbyist. As I have said, there are in the United States certain individuals who make a vocation of living in Washington or one of the state capitals, and who spend all their time making representations to government, and who will accept a brief on behalf of any industry or any business which chooses to retain them. I am told that it is not at all unusual for a lobbyist in Washington to be subjectively representing one point of view one day for one client, and in a completely different department representing diametrically the opposite point of view the next day on behalf of another client. Possibly this is characteristic of advocacy, and possibly not. The best advocates, I think, take only one brief at a time.

It is very simple to say that the difference between a lobbyist and

a justifiable representative is in the attitude of mind, and whether or not he has his country's interests fundamentally at heart. It may, however, be difficult for the top business executive to distinguish between the interests of the consumer throughout Canada, and the interests of his own organization. The famous comment of Charles Wilson in the United States to the effect that what is good for General Motors is good for the United States, may, or may not be, an accurate quotation. If it is accurate, I have a great deal of sympathy with Mr. Wilson. I would expect him to have that point of view. Business, particularly in very large and dynamic organizations, would be a rather stultifying endeavour if we did not have the feeling that we were serving society as a whole, and especially the nation of which we are privileged to be citizens. Of course, a business executive is naturally imbued with the point of view that the success of his enterprise will be in the best interests of Canada as a whole, and it is therefore hard to say that a desire to develop the best interests of his own business should of necessity make him a lobbyist, in the sense in which the term is used in the United States.

I have referred to the United Kingdom. The point of view there seems to be that the paid officials of trade and national organizations work through the civil service or permanent staff of the government. On occasion the elected officials of the organization, in a group, may by appointment attend on the cabinet minister. There seems to be a very clearly defined understanding that permanent officers of the trade organizations will work with permanent civil servants, and that elected officers of the organizations will communicate with elected officers of the government. In other words, I don't think that the United Kingdom, ably as it is governed, enjoys quite the same relationship as we have in Canada between business and government.

Let me revert to this question of just what is a lobbyist, and just what should be the purpose of business in making representations to the elected authorities and civil servants. First, the mere fact that a man is paid to perform this function should not be deprecated, although I would prefer that he should not be paid on a percentage basis, as is the case of the five-percenters in the United States. Secondly, I don't think he can be blamed for the point of view that

the best interests of the country would be synonymous with the representations he is making, whether he is acting on behalf of one individual or a trade organization, or on behalf of business as a whole. I suggest, and I think this has been brought out by the more successful of those who have made representations to government, that there must be a certain dignity and reciprocal attitude in the relationships with government, whether it be with the civil servant or the cabinet minister. When the businessman goes to make representations he should also be prepared to listen. There is a point of view of the government, if he feels that the point of view of the civil servant or the cabinet minister is not well founded and is not in accordance with the facts and data which he has available, then of course it is quite proper for him to endeavour to refute the side of the story which is being placed before him. But very often a businessman operating in Winnipeg or Vancouver or Edmonton holds a certain bias, and when he goes to the civil servant or the cabinet minister he may get information which is quite different from that which he believed to be accurate. He must be prepared, surely to have his attitude challenged. I am suggesting that the businessman should approach the government of the day, including civil servants, admittedly with a brief in his hand and as an advocate, but also as an open-minded advocate, one who is prepared to listen as well as to speak. That's the first point.

Secondly, it seems to me that the businessman should be prepared to enter into a discussion on something of an intellectual basis. It isn't fair to say I represent so many tens of thousands or hundreds of thousands of votes, or if you don't do this I will do that, knowing that what he is proposing to do would be politically embarrassing or controversial. In some respects civil servants and cabinet ministers are sitting ducks. There are certain things which they can be forced to do against their best judgment because of the particular circumstances surrounding the realities of political life. I question whether the businessman should take advantage of that sort of thing. It may be that many lobbyists or five-percenters in the United States who take advantage of everything in the interests of their clients, are thoroughly disliked, not only by the civil service, but also by the elected representative.

Then, too, there is the technique sometimes used of getting petitions, or inducing many constituents to write letters or send wires. There are few circumstances in which tactics of this sort are justified. Personally, I don't like petitions. They are often signed without a proper appreciation of the issues involved, and without complete examination of all aspects of the question. Many people find it difficult to decline to sign a petition, indeed, find it equally difficult to decline to send a wire to a cabinet minister or member of parliament if asked to do so by a close friend, or somebody whom they respect. I don't believe that that sort of tactic should be followed.

Nevertheless, you simply can't get around the fact that a businessman must make representations to his government from time to time. It is one of the growing functions of the top executive. He must be sure that the government understands the point of view of his particular business. He must associate himself with his fellow industrialists and a particular trade association. What I think we have achieved in Canada is a certain mutual confidence and a relaxed atmosphere in our negotiations with government, which may not apply elsewhere in the world. Furthermore, we know that our civil service is incorruptible (thank God!) and that overt or covert bribery of any type simply will not be countenanced. In the result, I think we have succeeded in developing a climate of dignity and mutual respect. The approach to government is a very great privilege for Canadian businessmen. The fact that their advice is asked and their point of view weighed is something which is really worthwhile in the Canadian way of life. Businessmen must be careful to keep this relationship on the dignified plane to which I have referred, and must be careful, too, not to overdo their hospitality. The business which keeps a paid representative in Ottawa tends to make itself unwelcome. The businessman who appears only occasionally, but when he does is thoughtful, carefully prepared, listens courteously, and recognizes the point of view of the other side, will usually receive an attentive hearing.

It has been my privilege to be associated from time to time with several very skilful negotiators. Larry Forsyth, Harry Parlee, Ray Milner, Bruce Smith, amongst several others. One thing became apparent very early — one should never enter a meeting with a deep



feeling of rancor or indignation. If at all possible one should keep negotiations on a plane of courtesy and good humour. Sometimes either side may find it necessary to present their point of view forcefully — to make an argument as compelling as possible. If this results in tension, every effort should be made to relax feelings by a good-humoured smile and a quip or a joke. On occasion I have been amazed at the deals that have been accomplished by the combination of a compelling and even ingenious argument and a pleasant personality

# 11

## THE FOUNDATION

ONE OF THE GREAT PROBLEMS FACING AN ACTIVE MAN IS TO KNOW when to quit, if not to retire, to go on to other things. An accountant is a financier in embryo. The financier should evolve into an entrepreneur. No man should be satisfied with only one career — in this I agree with Dr. Wilder Penfield.

For a while after I retired from the firm I had created I was over-sentimental, discouraged. Winslow and Christian Hamilton had met an early and untimely death. Harry Parlee had died. Clarence Richards was gone. He spent his last few weeks with Boss and me at Ardmore. He had majored in botany, and on our long walks he talked about the sports in bracken and ferns, or the seed pods on other plants, we discussed the miracle of life and living. I loved him as man to man. And Laurance Casma has gone. No longer can I enjoy his quick wit, his quips, his humorous songs — one indeed, entitled, "I want Wunspear." Bill Kerr, Clyde Hook, and Jack Glenright have gone. Kenneth Carter has died a martyr's death. So many of my old friends are dead — or retired. But I must not get nostalgic. Never look back. There are things to be done. Above all, Canada must live and move and have its being. There are still businesses which I may help, new enterprises using improved methods, and better products to start, investments to make.

Above all, after one has attained some affluence there remains the problem of how to use the money wisely. There are so many welfare societies, so many cultural pursuits, so many dedicated followers of

various humanitarian causes, so many drives, and so many driven. Giving money requires even more presence, more imagination, more executive skill than making it. Some of my friends (notably Roland Bull at Ardmore) have met this challenge admirably and skilfully. Certainly, whilst Canada lives, whilst disease is evident, whilst people thirst for music and art, and boys and girls for swimming pools, the real businessman can never retire. His talents are needed, he faces a continuing challenge.

But the history of Canada, and in fact the world, is replete with men who stayed too long. I think Winston Churchill, who led a Union Government throughout the war, would have been wiser to have retired as an international figure with fabulous prestige when the war was completed, rather than enter into a partisan squabble on domestic affairs. Mackenzie King, I think, too, would have been wiser to retire earlier than he did. Lately we have seen the spectacle of a Conservative leader in Canada lose a measure of the tremendous prestige he enjoyed because he stayed too long. There may have been instances of men who retired too soon, but ordinarily, in my view, the reverse has been the case. There is a great tendency for an aging man to regard himself as indispensable, to feel some lack of confidence in younger men to succeed him, to hold on to the cherished embellishments of office, whilst he and his organization lose vitality and life. The illustrations I have given are duplicated many times in the world of business. No one is indispensable, and the greatest sacrifice which a man of sincerity can make is to endow the organization he has created with new vigour and new ideas. I am no longer an accountant. Rather, I enjoy being a financier and businessman, and as I turn over the firm which I founded to younger men, I look forward to new outlets and new interests in the world of business.

To me, it is satisfying that the firm\* which I commenced in those early days of 1930 operates from coast to coast throughout Canada, and is represented in twenty-six countries throughout the world.

On that note I can look forward to doing other things—working less, catching more fish, and improving my golf, and in a small way,

\* The firm of Wincepear, Higgins, Stevenson & Co. amalgamated with the Canadian section of Deloitte Haskins and Sells early in 1980. The two firms were about equal in profits and Deloitte Haskins had much-needed international connections.

endeavouring to improve the lifestyle of my fellow citizens. I have already referred to my work in the Edmonton and Canadian Chambers of Commerce and in the three committees of the Private Planning Association. In the late 1950's I was approached by a delegation from the Edmonton Chamber of Commerce. Would I undertake to organize a United Appeal in Edmonton? There was already a Community Chest in operation but it was a partnership of welfare agencies and had, of late years, not been successful in raising adequate funds to meet the needs of Edmonton's welfare agencies - in fact the per capita contributions in Edmonton did not compare favourably with other cities in Canada. If we were not the lowest, we were close to the bottom.

I already had experience in fund raising. I had headed a delegation who had travelled east to raise money for a new YMCA building in Edmonton. Local businessmen complained that eastern business, which sold its products in Edmonton and the West, was lavish in giving to eastern charities, hospitals and private schools, but was niggardly in contributions to western needs. To meet this argument my associates and I decided to enlist a number of our fellow Edmontonians and travel to Toronto, Montreal and Hamilton in the expectation of obtaining a substantial sum from our eastern friends. The delegation of about twenty, included the Honourable E. C. Manning, the Premier of the Province, and "Pop" Ivey, the coach of the Edmonton football team. We hosted cocktail parties in Toronto and Montreal, followed up in the proceeding days with personal calls on our guests from those parties. If the CEO we wished to meet assured us that he did not have time, or found some other excuse, I would say, "Oh, that's a pity because Mr. Manning (or "Pop" Ivey) was intending to come with me." Invariably the CEO would find that he could make arrangements to meet our delegation. As a result we had a very successful visit to Eastern Canada and the campaign was a success in every respect. The Edmonton Eskimos had just won the Grey Cup for the third time and all easterners were anxious to meet the Eskimo football coach. Mr. Manning's name, of course, was synonymous with oil.

Then I became the host of the dinner at which the Edmonton Branch of the Institute for the Blind was formed, and Jack Weber

undertook the leadership of a campaign to provide a building for blind citizens. The Alcoholic Foundation and other such agencies were all included in my activities, so much so that one of my friends was heard to remark that he could not afford to go to lunch with Francis Winspear — it cost too much!

So, I accepted the challenge and the United Appeal was formed. I first held a dinner to which representatives of the welfare agencies, prominent businessmen and labour leaders were invited. This was followed by a series of conferences covering the constitution of the fund and its constituent committees. Then a large meeting was held and a board of directors was elected which in accordance with the constitution contained representatives of welfare agencies, donors and social welfare experts. I can recall that we had some difficulty in getting some agencies, notably the Red Cross and the Cancer Society, to join the movement, but in those early days they were all members.

We employed a professional manager who had a wealth of United Appeal experience, and with the support of many dedicated citizens, we launched a very successful campaign — so successful indeed that we doubled the per capita gifts to the former community chest and received a trophy as the most successful United Appeal campaign on the North American continent.

In many respects, my year as President of United Appeal was a very satisfactory experience — in other respects it was somewhat disillusioning.

Although I understand that most of my reservations have been corrected in the intervening years, I was concerned at the number of agencies which held no clear insight into their reasons for existence and would speak vaguely of the necessity of "co-ordinating" the efforts of all the other agencies. How I got to hate that word "co-ordinating," particularly as we had a very efficient committee in the United Appeal itself, whose function was to investigate the objectives and the efficiency of the recipient agencies. On the other hand, it was difficult to refuse support for agencies which had been in existence for a considerable time. I understand this problem has eventually been overcome. Then too, I was concerned by some agencies which seemed to have been founded as a result of the

personal ambitions of their chief executives, who seemed to operate them as entrepreneurs -- private businesses. I believe this problem, too, has captured the concern of succeeding directorates, and has now largely, if not wholly, disappeared.

In the 1950's I called a meeting of the managers of the various companies of which I was the president or chairman to discuss a policy of contributing to a uniform fund to support welfare, education, the arts, medicine and indeed any other matter which would help to improve the lifestyle of the citizens in our bailiwick.

Accordingly, the suggestion was made that each enterprise contribute a fixed percentage of its profits and be represented on a committee by one of its officers. Thus was the Winspear Foundation formed, incorporated and given an appropriate number from the Income Tax Department. As our group sold its interests in various companies, I was able to make gifts which enabled the Foundation to fund a yearly income, that is, to make grants only to the amount of its income, and a professional general manager was employed. Furthermore, pursuant to a family settlement whereby my sons returned certain of the monies I had given them in previous years, it became advisable to donate several hundred thousand dollars in debentures of the steel companies in which we are interested. About the same time the Federal Government amended the Income Tax Act, to disallow the deductions for income tax if interest was not paid on securities given by privately held companies. The provision was intended to catch unscrupulous business operators who formed foundations and claimed gifts of securities for tax purposes, and paid no interest on the securities. I wrote to Ottawa and pointed out that we had not claimed the gifts to our Foundation for tax purposes and that the debentures would be redeemed as soon as the steel companies were in a position to do so. My partner Alex Hamilton and I travelled to Ottawa and told our story to a special committee set up by the finance department. Our representations fell on deaf ears. We were not a part of the powerbase, only a small western foundation. We did get a letter from an officer in the Department of Finance who expressed sympathy with our situation and assured us that he would recommend that the Act be amended to relieve our and similar situations. But the Act was not amended and we are even now

faced with a tax bill of forty thousand dollars and interest. It seems incredible that governments who are reducing support to welfare agencies, the aged and even to education, should at the same time make it more difficult for foundations such as ours to operate. Surely the massive staff of the Tax Department could cull the unscrupulous from the sincere of the small number of existing foundations.

In the meantime, my second son, Bill, who had followed me in the business world had moved to Dallas, Texas, with his wife Margot. Both had been valuable members of the board. My sister, Mary, had settled for the balance of her life in Sidney, B.C., where she still takes an interest in the Foundation and advises on Vancouver Island applicants. My dear wife, Bea, had died in February 1979 and my son Claude had also taken up residence in Sidney. It therefore became necessary to reorganize the management of the Foundation, and the articles were amended to provide for three appointments to the executive for three year terms, staggered so that one fell due yearly. The appointments were made: one by the President of the University of Alberta, one by the Council of the Edmonton Chamber of Commerce, and one by the publisher with the largest newspaper circulation in northern Alberta, currently the *Edmonton Journal*. The University President appointed Dr. Harry Gunnung, a very distinguished photo-chemist and former President of the University. Dr. Gunnung was elected Chairman of the Board, his appointment has been renewed annually from its inception and he has been a tower of strength to the Foundation. The Chamber of Commerce appointed Dr. Eric Geddes, F.C.A., who had been a student of mine both at the University and in our chartered accountancy firm. He too, has been a tower of strength and his appointment has been consistently renewed by the Chamber. To the third appointment, the *Edmonton Journal* named its publisher Bill Newbigging, a very able and likeable person who brought an intimate knowledge of the city's needs.

I was particularly gratified as I knew and liked Bill's father, who was manager of the Bank of Montreal for many years, and is now of course retired. My partner Alex Hamilton, F.C.A., usually sits in on executive meetings and is very helpful, particularly on invest-

ments and budgeting and other financial problems. The General Manager, Peter Caffaro, Q.C., is dedicated and efficient. The articles also provided that the executive should appoint, for one-year terms, fifteen to twenty citizens representing a cross section of the city's area and population who are expert in their particular fields. We have distinguished nurses, school teachers, retired businessmen, one of whom is a retired president of the Edmonton Opera Company, two others are a retired dentist who used to play in the symphony, and a City Police Sergeant who is particularly informed on delinquents in our city schools.

The former Harriet Snowball whom I married following Bessie's death, has been a valued member for many years.

The executive meets several times a year and the full directorate twice a year in the fall and spring. A soup and sandwich lunch is served and the meetings are usually lively and the members informed.

During its existence our Foundation has undertaken many interesting projects. One of our earliest was the Pioneer Camps, managed for many years by Miss Marjorie Long, a very efficient, determined and delightful lady. It seems to us that a few weeks in a well operated camp for boys and girls tends to be a healthy exercise in both physical and intellectual respects. We therefore give the camps a grant to pay the fees for well deserving students who otherwise would not be able to attend. We also provided a swimming pool at the Sundre Camp, and a grant towards the extension of the buildings at the Crimson Lake Camp near Rocky Mountain House. As a result, the campers can ride horses, swim, canoe, hike and hold discussions before an open fireplace in the evenings. We support several other camps in both Edmonton and Victoria. One of the most satisfying is a camp for handicapped (physically or mentally) children where special medical supervision is provided as well as specified diets when necessary.

Our Foundation has always been interested in higher education and research, and endeavoured to support Alberta University and private schools. Even before the Foundation came into being, I led a committee to raise money from Edmonton business to support the erection of a Students' Union Building at the University. I was



able to raise \$30,000 and was rewarded by being made an honorary member of the Students' Union. I have not, however, taken advantage of the membership by attending any of the meetings, and I doubt if I would be welcome!

Following my partner Winslow Hamilton's calamitous death with his wife, Christian, in 1958, I gave \$50,000 to construct a swimming pool in their memory in the Students' Union Building. This sum was augmented by the Government of the Province, who also provided an extension of the building and gymnasium space. About this time too, I was approached by a committee of professors to assist them in building a Faculty Club. I felt that it was important for morale for professors to have a club which they could call their own — where philosophy could dine and drink with mathematics, and medicine with economics. I therefore agreed to contribute \$50,000 and found two friends, the late George Steer, Q.C., and Gerry Heffernan, P.Eng., who were prepared to contribute \$15,000 each. Our names are suitably engraved on a plaque in the rotunda of the Club. Two rather amusing incidents occurred. First, I watched with considerable humour while the economists endeavoured to raise a mortgage of some \$200,000. I realized that the Club could not own the land, for it would be erected on the campus, on a site owned by the University and selected by the Board of Governors. Even if the directors of the Club were prepared to guarantee the mortgage I realized that no trust or mortgage company would relish the unfavourable publicity of foreclosing on the assets of university professors. My sources of information told me of the hopes, negotiations and ultimately the disappointment of harassed club directors. Then I had a chat with Mr. Gerald Corlette, the Vice-President for Alberta of the bank on which I enjoyed a Directorate, and together we approached Alan Lambert, the Chairman of the Board and the CEO of the bank. The main Alberta officers of the bank would be vouchsafed the use of the Club, a privilege which would not be available to their competitors. An important source of business was available. Furthermore, the bank's interest in the University might easily attract graduating students. Our representations fell on fertile soil. Alan had lately become Chairman of the Board of the newly-formed York University in Toronto and he was very interested in

higher education. As a result, the mortgage department of the bank undertook to loan the money, and financing for the Club was in place.

The other incident surrounded the right to serve liquor at the Club. It happened that my daughter-in-law's father was Chairman of the Board at the University, and informed me that certain members were strongly opposed to liquor on the campus. The Faculty Club could not have a licence, they said, when students were not permitted to drink. This to me was patently absurd. Many of us serve alcohol in our homes without permitting underage children to drink. The discussions went on for weeks. A delegation of professors suggested to me that the Club building be erected without a liquor licence. I was adamant! I would not support the Club unless a licence was obtained. I suggested that they ask for the opportunity to meet the Board, and if they felt it necessary, to arm themselves with a petition from the Faculty.

Finally, under pressure from the Faculty, the dissident Board members took the position that it was a matter of government policy and that they could not permit alcohol unless the government approved — confident I expect, that Premier Manning, a teetotaler would "scotch" the idea. When Margot's father, MacLeod, phoned to give me this news I immediately telephoned Mr. Manning at his home. He was kind enough to give me an appointment at an early hour on the following day. I was waiting at the door when he arrived at his office the following morning. In a very few minutes the problem was resolved. I told Mr. Manning that I noticed he served wine and cocktails at the state dinners he hosted, and also pointed out the many advantages of the Club. Mr. Manning said that it was a matter for Peter Elliott, Chairman of the Liquor Control Board, to decide. At my request he telephoned Peter (an old friend) that I was on the way over to see him. Peter could see no objection to the issuance of a licence, provided that the Club complied with the regulations stipulated by the Board. In an hour, I was able to telephone the President of the Faculty Club and give him the welcome news that the last problem of the Faculty Club had been resolved. The Club building was erected. In its operations it experienced the usual teething problems to be expected, but after

a year the Club became a very popular campus activity — in fact it became necessary to enlarge both dining rooms, which was done with additional bank support. The Board of Governors of the University was generous in its support and the Club has a beautiful site overlooking the North Saskatchewan Valley. It is delightfully designed and its members may well be proud of the amenities it provides.

As well as supporting deserving agencies and cultural societies, our Foundation has endeavoured to meet social needs that have not been noticed by government welfare agencies or large charitable institutions. For instance, it came to our attention that single mothers at the University, living on subsistence levels, and trying to study their home assignments with one to several children running around, did not have the resources to enjoy a summer holiday. We therefore made suitable professional arrangements for the care of the children and hired buses to take the mothers for a two-week refreshing holiday at a Pioneer Camp. Senior citizens in certain areas of Edmonton found their old-age pensions hardly adequate to maintain their small homes and provide food and clothing. We gathered, through a voluntary agency, a group of these people who we sent to the camp for a much-needed change. It is wonderful to get the reports of their singing on the bus, enjoying the outdoors, and even the swimming pool. Many lasting friendships have been formed, I am told, by these expeditions. In another area, senior citizens were finding it impossible to clear snow from their walks, put up or take down storm windows and care for their abodes. We arranged to finance these needs through a voluntary agency.

Near Boyle Street, the slum district in Edmonton, MacKay Avenue School provides elementary education to Oriental, Negroid, Slavic, and a number of other ethnic students, together with a few Caucasians. They nearly all come from impoverished homes and most of them had never seen more of the world than Boyle Street in Edmonton. The principal of the school, an East Indian from Trinidad, made representations that most of his students were suffering from malnutrition. My wife, Harriet, went down to investigate the situation. She reported that the students obviously had a genuine affection for their principal, that many ethnic groups were repre-

sented, and that the principal, a first generation Canadian, was obviously a first-class leader in an underprivileged community. We granted money to provide good nutritional lunches for all the children, and on two occasions provided for conducted tours across Canada led by their principal. I recommended him for membership in the Order of Canada and was supported by members of my executive. In due course the honour was bestowed.

Some years ago, at Ardmore on Vancouver Island, my good friend the late Colonel Roland Bull, interrupted our dinner. "Francis," he said, "It's a damn shame. Those kids at McTavish School have no place to play except in a sea of mud. I know an outfit in Winnipeg that sells modern play equipment, swings, slides, and all forms and types of parallel bars. It will cost about \$1,500. If you will pay half, I will meet the other half." This was done, and in due course we received a letter of thanks from the School Board. More important, however, they were shamed into making a baseball diamond and a football field behind the school, and the parent-teachers' association financed a gravelled playground in front. Our Foundation has always enjoyed providing the "seed money," which encourages others to support a project.

Incidentally, my friend Beth Ross was a supply teacher in another elementary school on the west road near Sidney. She put the "bee" on us to do the same for her school and, of course, we complied.

We have not turned a deaf ear to worthy students who need financial help either for academic purposes, or music (voice or instrumental) and we had several very satisfying results in this respect.

The Edmonton Symphony Orchestra was inspired by Mrs. Marion Mills in the early 1960's and Marion was its first President. Bess and I were close friends of Marion, so of course I found myself on the Board, and a confidant of Marion. It was proposed that the first conductor should be Lee Hepna, who is now at McMaster University. At one of its early meetings, the Board decided it could not proceed with its first concert until it had raised \$10,000. This seems a small sum in the light of orchestral costs today, but was considerable in those days, particularly as Edmontonians might well be reluctant to subscribe for season tickets in an orchestra of which

they had not heard and might never exist. I telephoned my friend Ray Milner — he and I did many things together — and suggested that we jointly underwrite the first concert to the amount of \$10,000. He readily agreed and I was able to go to the next meeting of the Board and tell them that they could proceed with confidence. The first concert held in the now demolished Palace Theatre was a tremendous financial, if not a wholly artistic, success, and for the first few seasons the orchestra was financed by season ticket sales. In a relatively short period of time ticket sales were augmented by grants from Canada Council, the Government of Alberta and the City of Edmonton, companies, foundations and individuals. We have continued to support the Symphony and three years ago gave it a special grant when it entered a period of distress. It is now a wholly professional orchestra but when I came to the city in 1928 an orchestra, partly professional and partly amateur, was already in existence under the baton of a Mr. Rushton. I find my name on the list of directors on one of the early programmes which I have. This orchestra was forced to discontinue when Mr. Rushton left the city. In the 1940's an attempt was made to revive the Symphony but it withered and died in a few years. Fortunately, the orchestra founded by Marion Mills has had a successful career and enjoys a fine reputation amongst Canada's small symphony orchestras. It has been led under the batons of a series of distinguished conductors.

Early in the 1960's and a few years after the Symphony had been born, it came to my attention that a tenor music teacher by the name of Jean Letourneau was presenting actually an opera which he conducted and led, and in which he often played a principal part. He was married to the late Kathleen Busby, a very pleasing soprano whom a number of us had financially assisted through the Toronto School of Music in the thirties. Letourneau himself had a fine tenor voice, but his opera was not well attended and played in small halls. It had, in my opinion, several failings. In the first place it did not import lead artists, and audiences tend to get tired of repeatedly hearing the same voices. Furthermore, visiting artists of international fame can spark new life into local vocalists who otherwise tend to become ingrown. Letourneau, in my opinion, had no right to call his group the Edmonton Opera Company when he permitted only his

own students to perform in the opera. My good friend Ray Milner was supportive and we propositioned Letourneau that we would employ him as artistic director and his wife as rehearsal pianist, if he would agree to the formation of a complete opera company which would import lead artists, engage an adequate section of the Symphony and get expert staging direction. After some heart searching, Letourneau agreed. Ray put up a substantial sum of money and our Foundation covered it. We went to a number of our friends and raised enough money to put on a real professional opera. I forget now what it was, but it runs through my mind that it was Verdi's *Rigoletto*. This initial success prompted us to incorporate a company and arrange a board of directors with the usual officers. We asked David Kerr, the assistant publisher of the *Journal*, to be its first President. Our Foundation was represented by my daughter-in-law, Margot. She was elected vice-president and was slated to be president when she and her husband were transferred to Vancouver.

Beverly Sils was one of our early imports and I am informed that we were the first opera company to give her a leading operatic role. Whether or not that is true, she has always been kind to the Edmonton Opera, and on one occasion when the Opera was suffering financially as a result of a bad year, she put it on its feet by singing a complete concert programme for practically nothing. Margot and the late Thelma Gregg formed an Opera Guild which has raised substantial sums for the Opera over the years. Early in its existence the Guild approached us and several other Edmontonians, to provide money for the musical education of a young tenor, Ermanno Mauro — a student of Jean Letourneau's. Mauro studied in Toronto and then Europe and now has an international reputation, having taken leads at Covent Garden, La Scala, the Metropolitan Opera of New York, the San Francisco Opera, and many others.

It seems characteristic of musical organizations that they get into financial difficulties from time to time. We have come to the rescue of the Victoria Symphony on one occasion with a substantial addition to our annual grant. The same thing occurred with the Edmonton Symphony, and three years ago, the Edmonton Opera Society found itself with a deficit approaching a million dollars. Ordinarily we do not intervene in the management of our clients' affairs but in

this case we made an exception. I called an evening meeting at my suite and we persuaded a group of able and businesslike people to accept nomination to the Opera Board. Amongst them was Alex Budge, an energetic and very able retired businessman who undertook to be President. He stayed as President for several years and when he left office, the Opera Society, once again had a healthy bank balance.

The Edmonton and Victoria symphonies and opera companies are not by any means the only musical organizations we have supported. The Alberta and Winnipeg Ballets, several chamber music societies and choral groups have been helped. Individuals we have helped include a promising sixteen-year-old cellist from Banff who was sent to London, England, to get advanced instruction on her instrument. Due to her tender age we, of necessity, had to send her mother with her. A trombonist from the Victoria Symphony needed money to get to Chicago and receive advanced training. He returned and played for some years with the Victoria Symphony. He then applied for another grant to take training which would enable him to obtain a seat with the Chicago Symphony. This we declined since we felt that supporters of the Chicago Symphony should train their own musicians. If he had planned to return to Victoria and its Symphony we might well have felt differently. A non-profit organization in Vancouver conceived by a Swedish-Canadian named Johansson operates a summer school for music in Victoria, to which internationally recognized musicians and vocalists are attracted as a relaxing semi-holiday in the summer months, and also gives concerts well attended by Victorians and tourists. In addition he operates the "Canada Opera Piccola" which performs modern and reduced versions of operas in the rural areas of the western provinces. The financial statements of his organization reflect the savings that can be made by sponsoring several musical endeavours with one administrative office. This, of course, appeals to us.

In addition to music we also support the dramatic and visual arts. The legitimate theatre is popular in Edmonton and I was told that more than twenty professional and amateur theatre groups entertain its citizens. Several of them deserve and receive our support.

We have given grants to a rowing club in Victoria and to wheel-chair and physically handicapped athletes in Edmonton. We also support the Banff School of Fine Arts, particularly the weaving department, in memory of my deceased wife and her father, George Watchorn.

There are so many foundations and societies dedicated to medical research and maintenance that we have tended to avoid this aspect of public service. We have, however, on occasion supplied medical equipment for a hospital, where we have been convinced that it could not be obtained in any other way, and where there was a real medical or surgical need. We also supply a 'comfort fund' to all the hospitals in Edmonton. The reports we get from the social workers who are in charge of the fund are often very touching. I recall one case in which an elderly man in his seventies was bed-ridden for life. He had no relatives and few friends. When he received a birthday present from our Foundation (the only one he received) the social worker reported that tears streamed down his face. Amongst the many comforts which can be supplied is transportation for patients who need treatment but are unable to walk.

Education and research have always taken an important and significant portion of the Foundation's activities. Some twenty years ago, my late friend Roland Bull was active in re-opening Brentwood College, a private school which had been destroyed by fire some years previously. My eldest son Claude was a student there for a year or so. Bull wanted money to erect new buildings and generally to finance a new Brentwood College. The Foundation gave a grant with which Roland said he was satisfied — and he was not easy to satisfy in the realm of philanthropy. Of late, we have tended to support Alberta students who desired to attend St. Michael's University School in Victoria. The applicants must show that they have intellectual aptitude and are without financial resources. We are convinced that St. Michael's University School does an exceptionally fine job and tends to obtain exceptional students. We also fund smaller private elementary schools, usually on the advice of my sister Mary, who has had a renowned career in education.

I have already mentioned the gifts we made, before and after the Foundation was formed, to the University of Alberta. Dr. Gunning,



our Chairman, has always been interested in research and indeed, has made many scholarly contributions of his own. We decided that it would be appropriate for our Foundation to support a Chair at the University. The government of Alberta was prepared to match any grants we made. Furthermore, the Faculty of Business Administration had recently been invigorated by the appointment of a new Dean in the person of Dr. Roger Smith. Dr. Smith was, and is, dedicated to excellence, and was ready to admit that the Department of Accounting was not meeting the standards he would have liked. I had several discussions with him. When I was Professor of Accounting I had lectured almost wholly from the aspect of a professional practicing accountant. After all I was a practicing accountant myself. When I retired from the University the pendulum swung in the opposite direction and the department tended to emphasize the industrial or managerial side of the profession. As a consequence, the results in the Canadian Chartered Accountancy exams were dismal, only about forty percent of the students were successful on their first attempt. Accordingly, our Foundation entered into an agreement with the University to finance jointly with the government, a Chair in Public Accounting, and the Winspear Chair in Public Accountancy came into being. Two years ago the government made an offer to contribute two dollars for each dollar contributed by the public for capital outlays. About the same time, the steel company debentures were redeemed and the Foundation found itself in a position to contribute sufficient money to fund the Chair without materially reducing the income of the Foundation in other projects it supported. The Winspear Chair has been occupied by a number of distinguished accountants. We have been fortunate because it is not easy to locate a trained accountant who is a Ph.D. The first occupant was Dr. Robert Sterling, the former Dean of Business Administration at Rice University in Texas. He is an excellent lecturer and is exhaustive in his research activities, and is the author of several books. During his tenure, he arranged several meetings of distinguished accountants from places as far away as Australia and the Far East, at which contemporary problems were discussed. Dr. Sterling was followed by Dr. Rashad Abdel-Khalik, an Egyptian-American who came to us from New York University. He

made a great contribution to the department during his tenure, but left as he wished to confine his work to Ph.D. students. At that time our Ph.D. programme was embryonic, but has made great strides since. The third incumbent, Dr. Ashton, was not only a very fine accountant, but brought a wife who was a well-trained professor of accounting. The present incumbent, Dr. Michael Gibbons, is a Canadian who headed the Department of Accounting at U.B.C. before coming to our University. He is very interested in research and is making a fine contribution to the discipline of advanced accounting.

It was soon necessary to establish guidelines for the benefit of our general manager and the directors. One of these was geographical. We confined our attentions to Western Canada, except in certain very appealing situations, as we felt that Eastern Canada is liberally endowed with foundations and philanthropists. We also decided not to support religious institutions in their liturgical programmes. Several of the programmes we support were instituted and supervised by churches or other religious bodies. The Pioneer Camps are a case in point, as well as the anti-shoplifting campaign in Edmonton which was instituted by several churches. There is, we consider, a distinction between supporting such activities and giving money to a church to advance its doctrines.

In order to meet the needs of crisis situations which may arise between meetings, each member of the board of directors may expend up to \$1,000 on his or her own cognizance, although we expect them to clear it with the General Manager to verify that the proposal comes within the guidelines.

I have received much pleasure from my Foundation and I am eternally grateful to the dedicated executive and directors who have so faithfully shared my interest and work. As I grow older, I recognize the necessity of remaining both physically and intellectually active. A Foundation such as ours is not only an intellectual challenge, requiring good judgement and a sympathetic attitude, but it also demands an insight into many problems not foreseen when making money was the first problem.

In short, I cannot understand why more retired and wealthy business and professional men do not make a hobby of welfare, culture, sports and education.

# 12

## POLITICS

ABOUT TEN YEARS AGO, FOUR OF US, DR. ANDREW STEWART, DR. Douglas Ross, Trevor Davis and I, met for a series of discussions at my home in Ardmore. In Quebec a campaign was in progress on a referendum as to whether that province should remain in confederation. Dr Stewart had retired as economic consultant of the Western Canada Foundation but was still on the board and he arranged for me to be given an invitation to join the board, an invitation which I accepted. After long discussions we prepared a paper which at first I presented to my friend Dr Jack Clynne in Vancouver at a dinner which he arranged. I then presented it to the Board of the Western Foundation which accepted it in principle, although the Chairman stated that he wanted to send a copy to Senator E. C. Manning and obtain his advice. Dr Manning's advice was not favourable, an opinion which I think he has since changed.

In our view .

- a. The Senate of Canada now largely appointed on a patronage basis should be elected and have equal representation from all provinces and/or territories. It should be representative of areas and resources. All the great democratic land masses, the United States, Australia, India, have powerful Upper Houses.
- b. All provinces and peoples in Canada should be treated equally. Alberta for instance should not be forced to sell its petroleum and gas to Eastern Canada at prices substantially below world

prices, whilst Ontario and Quebec still demand world prices for their minerals, automobiles, textiles and other products. The examples of discrimination against the western provinces are numerous and exasperating

- c. We concurred on bilingualism and equality between the two founding races, but we could not agree with unilingualism in Quebec and bilingualism in the rest of Canada. The languages in our opinion should be taught at the elementary level, and the civil service should not discriminate against qualified servants who are unilingual. Bilingualism will take time to implement and crash tactics tend to be counterproductive.
- d. Part of the checks and balances of the constitutional monarchist parliamentary form of government had been destroyed by the Lord Byng-MacKenzie King controversy of the twenties. Most constitutional experts agree that Lord Byng was correct in his right to ask Meighan if he had the confidence of the House. On the other hand Meighan made an awful hash of the Parliamentary situation and the ensuing election
- e. The national budget should be balanced and the debt reduced.
- f. Members of parliament should be in closer touch with their constituents.

As a result of these representations, Stan Roberts, who had assumed the office of economic advisor called a series of study group meetings throughout the four western provinces, culminating in a massive meeting at the Banff School which was attended by many Quebec citizens and a goodly number from other eastern provinces. We felt that the conference did us but to assure a favourable outcome of the plebiscite.

I had grown up a Liberal and supported the party consistently. Indeed, Mike Pearson telephoned me shortly after he was appointed Leader, and asked me to assume responsibility for collecting money (bag man) for the party in Alberta. I undertook the chore, although I knew that it would not be easy to collect money for a party in the wilderness after the Diefenbaker sweep, but I did collect a very

substantial sum. When the party came into power I was thanked by Pearson personally and taken to lunch by the President of the party "Did I want to be a Senator?" "No." "Would I like to be a Director of the Bank of Canada?" "No." "How about Lieutenant Governor of Alberta?" There was a job to be done there, but my wife's health forbade acceptance. Nobody seemed to believe that anything I had done had been inspired by patriotism — that I sincerely believed Pearson would make a better Prime Minister than Diefenbaker. As a matter of fact I was forced to the realization that Pearson was a better world statesman than a domestic Prime Minister. I thoroughly disliked Pierre Trudeau. I first met him when he received an Honorary Degree at the University of Alberta. He had been invited when he was Minister of Justice but received the degree as Prime Minister. (Mr. U Thant, then the Secretary of the United Nations, received an honorary LL.D. Degree on the same day.)

It is probably characteristic of my profession to make character and aptitude appraisals rather quickly. Trudeau did not make a good impression on me and I remained aloof from the Trudeau-manua campaign which characterized the next election. I used him up as an intellectual snob and a reclusive self-satisfied introvert. He made a series of errors in judgement. He almost wholly ignored the West whilst he blatantly courted Quebec. He centralized the power base in Ottawa whilst ignoring local party officials which had been a great source of strength in MacKenzie King's administration. He made a foolish marriage to a much younger woman, invited actresses to the galleries of the House, and paraded behind the Queen, thereby offending millions of Canadians. His crowning blunder was the invocation of the War Measures Act for the Province of Quebec. This was worse than the Duplessis Padlock Law. After holding office for almost twenty years, Trudeau resigned and John Turner was appointed his successor.

The ensuing election campaign did not solidify my support for the Liberal Party. I believed the representations of the Conservatives that they would be receptive and prepared to ameliorate the grievances of the West, so I voted Conservative for the first time in my life and they swept into power on a national tide of popularity.

Once again, I found that the West had been sold down the river. Admittedly, the controls on petroleum and natural gas have been removed, but in the meantime world prices had declined, so this was not much help. The Meech Lake Agreement was most distasteful. Why should the Quebec French be recognized as a special group? A Canadian is a Canadian. A Bill to amend the languages act was also unpopular. Everywhere in the West people were discouraged and disillusioned.

So, I telephoned Stan Roberts and offered to put up the money to hold a large conference in Vancouver. Stan accepted and the conference was held in May of 1987. Interested people from the four western provinces attended the conference and on the final day, eighty percent of 1,000 people attending voted to form a new party and to call another convention to elect a leader and officers. This was duly held in October 1987 and Mr. Preston Manning (the son of the former Premier of Alberta) and a graduate social scientist was elected leader, with a president and a board of directors. I am informed that the party now (in 1988) has 10,000 paid-up memberships and local organizations in many of the western constituencies.

I hope we will be able to elect a reasonable number of candidates. Otherwise, unless the Senate is improved, we are destined to be a democratic dictatorship, controlled by the voter of southern Quebec and Ontario. The West no longer has men like Gardiner, Dafoe, MacKinnon and MacKenzie representing it in Ottawa. I hope, before I die, that we will be able to diffuse the power base somewhat. In the thirties a western agrarian party led by Crerar and later Bracken, held the balance of power between the Liberals and Conservatives and was able to obtain some very valuable legislation in the interests of westerners.

# 13

## CONCLUSION

IN MY BOYHOOD, FROM 1910 TO 1919, OUR FAMILY LIVED IN A small town about forty miles east of Calgary called Namaka. It was very small indeed, about fifty to seventy-five residents. My father was the proprietor of the general store, which stocked everything from pins to threshing machines. He was also the Postmaster, the Secretary of the School Board, a Justice of the Peace and a lay reader in the Anglican Church. Between home and the store was the Namaka Hotel, owned and operated by a Mr. Baker, who served two percent beer during the prohibition period—a beer which seemed to have a very enlivening effect on the cowboys from the George Lane Ranch which was about four miles from the town. In addition, Namaka boasted a pool hall, a butcher shop, a barber shop, livery station, farm machine agency and, of course, a blacksmith shop. About a mile from the town was a red frame schoolhouse at which my two sisters and I received our elementary education. My elder brother—destined for the church—was sent to Bishop Pinkham College in Calgary. The school was attended by the sons and daughters of farmers in the surrounding territory as well as the town residents, in all, about twenty students and one teacher, who taught subjects from grades one to eight. On passing the grade eight examinations the students of ambitious parents went to a high school in Strathmore or Calgary and all of our family followed this course.

In the vicinity of Namaka were many alkaline sloughs and lakes which were a great source of aquatic enjoyment to the boys and girls.

— swimming and model yacht racing in the summer, skating in the winter. I even boasted a flat bottom punt which my father had obtained as part payment of a debt owed by an insolvent blacksmith. Otherwise our chief form of amusement was snaring gophers. There was not a tree as far as the eye could see. In fact, the nearest trees were fifteen miles away on the banks of the Bow River, and the grass was yellow and parched. The only ground colour were the prairie crocuses in the spring and the yellow buffalo beans in the summer and fall. It was a desolate area.

There were one or two successful farms, but the vast majority were at a subsistence level. There seemed to be an endless series of disasters — early frost, grasshopper plagues, hailstorms and drought. I can well remember impoverished farmers begging my father for credit to purchase a few dollars' worth of groceries. Namaka was only a short distance from a Blackfoot Indian Reserve and my father traded with them quite briskly, prairie hay for general store merchandise. They honoured him by giving him an Indian name, Popokakun — a man with a small stomach.

Five years ago my sister Mary and I returned for the 100th anniversary of Namaka's birth. The CPR in straightening out the main line had bypassed the town, and automobiles on good roads had removed the necessity for its existence. Every building had been torn down — the schoolhouse, the store, the four grain elevators — it had reverted to farmland. Yes, Namaka had died, but what a wonderful pastoral area had taken its place. Scientific agriculture, the gift of the University and of governments, fast growing cereal crops with greatly increased yield, irrigation, strip farming, means to cope with grasshoppers and gophers had turned the yellow arid prairie into beautiful green fields, trees had been planted in avenues leading to gracious farm homes. As far as the eye could see, nothing but beauty and a sense of stability and peace — overhead, a cloudless blue sky and lively fresh air with no smog, and the refreshing odour of new-mown hay as sweet as the smell of a garden. In the everlasting process of evolution, Namaka had lived and died — and served its purpose.

Not only had the land and the environment changed, but the people, too. The gauche farm children, shy and often inarticulate or



money/labac, had grown into well-groomed and very pleasant men and women prepared to talk intelligently on a variety of subjects. They were obviously proud of their homes, and justly proud of their attainments. The patriarch, James McBean, about ninety, I remembered as a red-headed young man of nineteen who had a severe stutter, but was very fleet footed. On succeeding sports days he defeated representatives from Gleichen and Strathmore in the foot races much to the delight of local Namakwans. The Blackfoot Indians were represented and fittingly feted. I asked some of them if they knew "Willy Many Heads," or "Bull Come Over The Hill," friends of my father. They did remember them and commented on the fine things they had done for the tribe.

The promoters of the gathering had published a volume called *Small Corner*, at which all present and past residents were allowed to make a contribution. I made a financial contribution which they informed me had made the publication possible. It is probably my fault that the book did not do justice to those who had passed through the one-room school to achieve distinction in many walks of life. Chuck Thorson was Dean of Engineering at the University of Alberta and afterwards Chairman of the Board of Governors at the University of Calgary. He is a very distinguished Canadian. Jim Lawrie attained the position of Associate Chairman of the Canadian Wheat Board and for many years represented the Board in Europe. He was the first to sell Canadian wheat to communist China. He was a very great servant of the Canadian people. My deceased brother, Alban, attained an international reputation as a classicist and served as Professor of Classics at Queen's, the University of Wisconsin and finally the University of Calgary. My two sisters have both had distinguished careers. Mary having obtained her Ph.D. at the University of Toronto, served as Dean of Women at both Alberta and Queen's universities, lectured at universities and acquired her own private school in Westmount, Montreal. Marjorie became a distinguished journalist, was associate editor of the *National Home Monthly* and afterwards entered the talks department of the CBC. She was one of the first Canadians to be invited to communist Russia and also communist China. I hope I can be forgiven this reference to my own family, but in my travels across Canada I often come

across other former schoolmates from the one-room school, who had achieved outstanding success in their chosen disciplines.

There is one more story about Namaka. Last November, Harnet and I stopped for a few days in Fiji. One day we were driven through a town called Namaka. There was Namaka Inn with its proprietor standing out front. Buker to the life except that he had the dark skin of a Fijian. And in front, was a small boy playing on the stoop, Harry Buker also, to the life. A little further on was Namaka School. Not a one-room school but a large and impressive building with hundreds of boys and girls, all attired in a school uniform. I hope Namaka in Fiji will serve its country as Namaka, "The Small Corner," has served Alberta, Canada. I enquired as to the meaning of the word Namaka in the Fijian language and was informed that it meant "beautiful view." How delightful. The "small corner" in Alberta has become a "beautiful view," in a developing country.

I like growing old. There is less pressure in old age and one can still enjoy travelling, bridge, golf, swimming, reading and thinking. There are still many friends who challenge the limited intellect I possess and as I said in the foreword to the first edition, I am not badgered or harried by attempting to fathom the imponderable. I am not afraid to die although I am not by any means assured that eternity exists. Sir Arthur Conan Doyle and Sir Oliver Lodge do not appear to have produced irrefutable evidence one way or the other. Old age is fun, even as finance and business were fun.

The only sad aspect of old age is the loss of so many beloved and valued friends who have predeceased me. My dear Bess, died in 1979 after fifty-two years of married life. She had not been well for several years prior to her death and I could not feel too sad that her sufferings had concluded. In a short time I married Harnet Snowball who had lost her husband a few years before. The Snowballs were close friends of Bess and me, and I was and am very fond of Harnet. She too, likes to travel, is a bundle of energy, a gracious hostess and is kind to me. We seem to have adopted each other's families and Harnet is continuously knitting sweaters or otherwise making garments for my granddaughters, my granddaughters-in-law or my great-grandchildren. We spend our time between Edmonton

and Ardmore on Vancouver Island and we enjoy entertaining friends at our Vancouver Island home. Nevertheless, as we go from one place to another, we find some more old friends have died in our absence.

But there are always new people to meet, new friends to make, new minds to fathom and new places to go. Life is fun.

Said Wm. Dean Howell, "The secret of the man who is unusually interesting is that he is universally interested."

Whilst these memoirs were being edited and printed, the Edmonton Music Hall Foundation, supported by the Alberta Government, the City of Edmonton and other supporters, announced their intention to erect a modern concert hall. The Winspear Foundation is making a substantial contribution and the edifice is to be named "The Franca Winspear Concert Hall."

THE EDITOR









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